

THE DEPARTMENT OF STATE



Bulletin

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OF
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Major Foreign Policy Problems

by Deputy Under Secretary Murphy¹

While it is a distinct privilege and pleasure to meet with the members of the World Affairs Council of Philadelphia and their friends, it is also a severe test for anyone to attempt a discussion of American foreign policy with a group as well informed as yours. Dr. [Robert L.] Johnson [of the World Affairs Council] was kind enough to suggest that I could touch lightly on the spectrum of some of the problems with which your Secretary of State has to deal. After that I will do my best to reply to whatever questions you might be interested to put. There is no doubt that the closer the association of our Department of State with the informed public opinion represented here, the more effective we shall be in coping with the multiplicity of problems that press on us today.

Germany

In this early part of 1959 the major issue influencing the international picture would seem to relate to Berlin and the German problem.² Berlin is the kind of sensitive situation in which a miscalculation on one side or the other could lead to very grave complications. That is why we have felt it so important that from the outset the Soviet Union should understand the policies and firmness of the Western powers and especially your Government.

Having in mind that the basic objective of American foreign policy is the preservation and enhancement of the security of our country and our people, our fundamental values and institu-

tions, the principal threat to that security is found in the policies of the Sino-Soviet bloc of countries. In this highly competitive situation our central problem is to minimize this threat, to use all our resources and diplomacy to maintain the peace, to provide the military and economic strength to deter general war as well as more limited hostilities. We seek to build our economic, scientific, and cultural assets, to maintain our independence and our institutions, and to offer as a great world power the leadership which the world is entitled to expect from us.

Now when we apply those general principles to a problem such as that arising over the Berlin issue, we find, as we do in other instances, that it is easier to state a general principle than to work out a specific solution in line with it. In the ambitious plans in which the Soviet leadership indulged as a result of the military victories of World War II, the control of Germany was a major element. Even before Allied victory over the German forces became an assured fact, it was overshadowed by speculation regarding the question of postwar cooperation between the Soviet Union and the West on a number of questions and especially the German question. Instead of waiting until the fighting had stopped and the last German units had surrendered, agreements were negotiated by the United Kingdom and the United States with the Soviet Union which established a zonal division of Germany with a dividing line at the Elbe River. France was subsequently included as a party to these agreements. In addition a four-power occupational regime was set up for the city of Berlin. All of this was based on the military conquest of Germany. Actually American forces invaded and captured a large part of Eastern Germany. We honored our agreements by evacuating the cap-

¹ Address made before the World Affairs Council of Philadelphia at Philadelphia, Pa., on Jan. 23 (press release 59).

² For background, see BULLETIN of Dec. 15, 1958, p. 947; Dec. 29, 1958, p. 1041; Jan. 5, 1959, pp. 3 and 5; and Jan. 19, 1959, p. 79.

tured territory in favor of the Russian forces and in consideration of the terms of the agreements made. It is on these facts that the American position on Berlin is based and not on the subsequent agreement entered into at Potsdam in August 1945.³

Thus Berlin became, to quote President Roosevelt at the time, a test tube of the possibility of cooperation between the East and West. It has from time to time produced violent reactions, as in the case of the Berlin blockade of 1948. Our curiosity as to why the Berlin issue has been provoked again by the Soviet Union at this particular time remains unsatisfied. All we know is that Chairman Nikita Khrushchev on November 10 in a speech at Moscow, incident to the visit there of the Polish Communist Party leader Gomulka, announced the intention of the Soviet Union to abandon its occupational position in Berlin and turn over to the representatives of the government of the so-called German Democratic Republic those functions in Berlin which are still exercised by Soviet organs. Among these functions, of course, is control of access to Berlin. The three Western powers having occupational rights in Berlin, that is the United Kingdom, France, and the United States, do not recognize the so-called German Democratic Republic. Neither does the Western German Federal Republic at Bonn recognize the East German regime.

Having started off hastily in his November 10 speech, basing his statement on the Potsdam agreement, Chairman Khrushchev, after a couple of weeks of reflection and no doubt on the advice of his lawyers, shifted his ground and dispatched a note to the Western powers basing the problem on the London agreements of 1944.⁴ The Soviet Union has been informed by the Western powers of their unwillingness to accept the Soviet proposal, which, incidentally, was couched in the tone of an ultimatum expiring after a 6 months' period.

Since then we have had the benefit of the visit to the United States of the energetic Soviet Deputy Prime Minister, Mr. [Anastas] Mikoyan, who came to this country as he himself indicated

³ For text of the Potsdam agreement relating to Germany, see *ibid.*, Aug. 5, 1945, p. 153.

⁴ For background on the meetings of the European Advisory Commission at London in 1944, see *ibid.*, Jan. 5, 1959, p. 5.

for a vacation. He wanted to renew the associations that he had made in 1936 and see for himself the progress which this capitalist country had made in the interval. He came as a guest of the Soviet Ambassador [Mikhail A. Menshikov] in Washington, and there was no indication in advance of a desire on his part to engage in specific business conversations. However, during the bland conversation he had with our distinguished Secretary of State in Washington he spontaneously produced a rather elaborate aide memoire which dealt exhaustively not only with the Berlin issue but the German problem as a whole. It suggested a warmed-over version of a peace treaty for a federated Germany duly hamstrung Russian style. Although an expert at trade and economic matters, he gave these but incidental attention. In his informal conversations with our Secretary of State he dwelt at considerable length on the German problem.⁵ No doubt the phrase that Mr. Molotov used some time ago to the effect that as goes Germany so goes Europe is still a major factor in the thinking of Soviet leadership.

It is quite clear that the Western powers are determined to maintain their rights and position in the city of Berlin. We hope that as a result of his visit here Mr. Mikoyan is convinced that this is so because understanding by Moscow of the Western position should eliminate dangerous miscalculation on their part. Such understanding should facilitate eventual negotiation and settlement of problems on a peaceful basis.

At Potsdam in 1945 the Soviet Union agreed to political and economic unity of Germany and to free elections. The Soviet Union never was willing to fulfill the obligations assumed by it at Potsdam notwithstanding the facile assertions of Mr. Mikoyan. In fact, as there never was application by the Soviet Union of some of the provisions of the agreement, I have often wondered why Mr. Stalin accepted those portions of the Potsdam text. Perhaps it was in the belief that in the end there would prevail the Soviet definition of free elections and independent political and economic unity, i.e. a so-called democracy governed by the single-party system dictated by the all-Russian Communist Party. Sometimes there arise difficulties with the Soviet Union because the same

⁵ For comments by Secretary Dulles at his Jan. 13 news conference on his talks with Mr. Mikoyan, see BULLETIN of Feb. 2, 1959, p. 156.

words mean one thing to them, another to the free world.

Mr. Mikoyan complains that the Soviet Union was deprived of German reparations by the West. The Soviet Union wanted to collect \$10 billion in reparations from Germany. As Germany was a deficit area at that time, these could only have been financed and in effect paid for by the United States.

Whatever the reason for the selection by the Soviet Union of this particular time to provoke the issue of Berlin and Germany, the fact is that the great powers, including the United States, are thus faced with a critical problem. Your Government intends to find a peaceful solution of this problem, but it has been made clear to the Soviet leadership that this desire does not involve abandonment of Western rights and position. It may perhaps provide an opportunity to allay Soviet suspicions about the participation of Western Germany in the North Atlantic Alliance and its rearmament for defensive purposes and convince the Soviet leaders that this is after all in the interest of a stable Europe and of European security generally.

Free World-Soviet Bloc Relations

A conclusion which I draw from the events of 1958 in the Middle East, in the Far East, and more recently those involving Berlin and Germany is that a change in the relative power positions as between the free world and Communist forces is not impending. In a material sense it would appear that there is good prospect for continued if not rapid industrial and economic growth in the Western World as there may be in the Sino-Soviet bloc. The political trends seem to be running more favorably to the West than to the bloc countries. Those trends have been stimulated by the Western success in the Middle East as well as in the Formosa Strait issue.

This country remains closely associated with its partners in the North Atlantic Alliance and the other treaty relationships such as the Southeast Asia Treaty Organization and the security treaties in which it participates with 42 nations. One of the objectives of the Soviet leadership is to separate this country from its allies. It is not beyond the realm of the possible that Mr. Mikoyan may have been influenced in his statements here by that objective. I would imagine that he departed from

the United States reasonably convinced that your Government is loyal to its allies. He should have learned too that we are willing to discuss and negotiate problems and differences. In fact your Government is continuously engaged in such negotiations and discussions within the context of the United Nations and in normal diplomatic channels.

We continue to remain acutely aware of the importance of the countries of Eastern Europe. We understand the predicament in which the peoples of those areas exist under Soviet domination and restrictions. We know how closely related their problems are to the German question. We continue to cooperate in a practical way with the free Government of Yugoslavia, determined as it is to pursue its own independent course free from great-power pressures.

There should be no doubt that your Government observes closely the developments occurring in Communist China. We remain loyal to our alliance with the Republic of China. It may be true that Peiping is absorbed with internal problems and developments which distract it from an active foreign policy. Its frustration resulting from its last year's attempt to capture the offshore islands and achieve its announced objective of the capture of Formosa may be reflected in the continued sporadic bombardment of the Quemoyas as well as a propaganda effort to cause dissension among the Nationalist Chinese. We continue to maintain an informal contact with the Communist regime through ambassadorial talks in Warsaw.

Security

As you know, the keystone of our policy of collective security is the North Atlantic Alliance. At the beginning of this year its solidarity is cause for satisfaction. The recent monetary developments in Europe we believe averted a certain strain on the alliance, although there have been difficulties and differences between the six Common Market countries and other NATO countries over the establishment of a European free-trade area.

The Soviet leadership, including Mr. Mikoyan, continuously asserts its suspicions over the fact that the United States has established military bases in various world areas. These suspicions are related to expressed Russian doubts and anxieties regarding the future peaceful intentions of the United States. They assert that they do

not understand why we should maintain such bases unless we intend to attack the Soviet Union. On his homeward journey by Scandinavian Airlines Mr. Mikoyan's airplane developed trouble in two engines and it was required to make a forced landing at our base at Argentia in Newfoundland. Perhaps this incident, in which fortunately no one was injured, may be helpful in persuading Mr. Mikoyan that our bases serve a useful peaceful purpose.

Our overseas bases are only one element in a system of worldwide collective security on which the free world depends for its protection. They are maintained for defensive and not for aggressive purposes. The Soviet Union, which is perhaps more sensitive than any other country regarding its national security, has remained in actual military occupation of other countries ever since World War II for reasons of its own security and at a time when there was no possible threat to its security. Yet as a result of Soviet aggressive expansion, as a result of the Berlin blockade of 1948 and the takeover of Czechoslovakia and Communist aggression in Korea, when the free-world powers resort to a system of collective security for strictly defensive purposes they are accused of warmongering. The Soviet leaders gloss over with pious language the growth of their own immense centrally controlled military establishment, which makes a system of collective security inevitable if the free world is to survive. With the tremendous advances in weapons technology and systems and the enormous burden of expense these entail, no one nation, even the most powerful, can alone provide for its own security through its single military establishment. This is certainly true of the many nations situated in Europe and Asia relatively near to the frontiers of the Soviet bloc. Their only possible safety lies in collective arrangements. Nations are interdependent in military as well as other respects. Security in the broad community of nations has become a collective community responsibility, just as security can be maintained within a civil commonwealth only through collective community action.

The changing nature of international security was fully recognized by the United Nations Charter when it was agreed upon in 1945. That charter intended to create arrangements and forces to maintain international peace and security. Unfortunately, due to Soviet refusal to

cooperate, these measures have never been taken and the United Nations has not been able for that reason to provide for the general security in the manner originally planned. The Security Council of the United Nations has never been able to function in the way it was intended largely due to the Soviet exercise of the veto power, which it has invoked no less than 87 times. Thus, the United States and other free nations which felt themselves threatened have been forced to associate in mutual assistance pacts and arrangements of a regional nature. Their right to do so is specifically set forth in the United Nations Charter, but it is clear that these measures taken by the United States and more than 40 other free nations in six continents have no aggressive intent and are solely concerned with assuring adequate defense against external aggression.

Mr. Mikoyan is returning to the Soviet Union to participate in the meeting at Moscow on January 27 of the 21st Congress of the Communist Party of the Soviet Union. It is hoped that Mr. Mikoyan's voice will be raised at this important meeting in the interest of understanding of not only American peaceful intentions but American strength and determination as well. It is hoped that he will stress the point which our Secretary of State has made so effectively that it would be dangerous for the Soviet leadership to miscalculate American strength and determination. It would be useful for Mr. Mikoyan to recommend to the Party Congress that the Soviet Union leaders omit from their speeches and resolutions expressions of hostility toward political movements and states in the free world which they appear unlikely to be able to control, such as the United States, for example. It is hoped that Mr. Mikoyan would report that it is abnormal for a state of revolutionary origin such as the Soviet Union, many years after its revolution, to predicate much of its policy, both foreign and domestic, on hostility to the free world generally and the United States in particular. To enshrine this hostility as a part of party dogma may cause the Soviet rulers eventually to lose the sympathy of their citizenry because they, as human beings, are spontaneously developing more and wider human interests. Even as an incident of Mr. Mikoyan's visit to the United States some notion of the friendly attitude of the American people to the people of the Soviet Union should become appar-

ent. It would be well for him to avoid suggesting as he did in his tour of this country that there is a distinction between the peaceful and friendly attitude of the American people and what is called in the Communist vocabulary the "ruling circles" in Washington.

Of course, there are perhaps deeper sources of Russia's unstable and basically hostile relations with the outside world. These originated largely in the earlier backwardness of that country, its insecurity, and its poverty. Perhaps Mr. Mikoyan should ask the delegates to the Soviet Party Congress to look around them now at a time when the Soviet Union possesses the military power to assure its own security and the industrial power substantially to raise its standard of living. The delegates could in all honesty ask themselves what benefits their doctrine of automatic hostility toward political movements and states such as our country that they cannot control is likely to bring them. The doctrine of hostility represents a state of mind which was perhaps understandable when circumstances subjected the Russian people to tyranny, insecurity, and poverty. How is it justifiable now? To a degree the Soviet people are still subject to arbitrary rule and to poverty, but I would ask Mr. Mikoyan to pose the question to the delegates of the Party Congress whether many of their difficulties are not due to their own doctrine of hostility to non-Communist movements and states. This is a major impediment to normal economic and trade cooperation which Mr. Mikoyan professes to endorse.

Russia is a country on the fringes of Europe which entered late onto the European scene. With harsh climatic conditions, without natural boundaries to protect it, and invaded many times from both east and west, Russia grew up as a militaristic and autocratic state whose rulers never succeeded in gaining an adequate measure of consent for their rule from their people or in establishing stable relations with Russia's neighbors. Knowing their rule to be fragile and the conditions of their country to be primitive, over the centuries they sought to keep the great mass of their subjects from seeing other countries and to prevent by and large the citizens of other countries from seeing Russia. Attempts to compensate for Russia's own sense of backwardness and insecurity led to ideas that Russia might save the world and that Moscow might be the third Rome.

In the Russian revolution in 1917, brought on by the archaic nature of Russian rule and by the disasters suffered in the First World War, the Russian ruling classes were swept away but many hard problems remained. These the Communist ideology of the new revolutionary leaders fitted like a glove. Thus the alleged imperialist hatred for the new Socialist regime seemed to confirm their suspicions of the outside world and to justify the continued isolation of their people. We hope that Mr. Mikoyan may see the futility of such a program now and recommend to his Party Congress the promotion of more extensive exchange of persons and ideas which was proposed by President Eisenhower at the summit meeting in 1955.⁶ This would give added impetus to the progress, small but steady, which is being made under our present agreement concluded last year in Washington with the Soviet Ambassador.⁷

Uncommitted Areas

There is not adequate time for a discussion of the tremendous political developments and trends in the uncommitted areas of the Middle East, Africa, and Asia. In the Middle East the beneficial effects of the positive action by the United States in the Lebanon last summer are apparent. There is an improved understanding of American policies and objectives in that area, especially regarding Arab nationalism. Unfriendly propaganda had created widespread belief that the United States opposed justifiable Arab aspirations for unity, modernization, independence, and improved standards of living. Leaders in the area not only are becoming increasingly aware of American understanding of their problems but are manifesting greater confidence in our desire to cooperate in practical ways and without ulterior motives. At the time of our military intervention in the Lebanon, there were widespread anxieties in the area that this would lead to repression and foreign exploitation. That a powerful American military force could be dispatched at the invitation of a friendly government, that it could land and be present in the area for months without a single casualty, and that it could leave peacefully and voluntarily after its mission was accomplished has been an eye opener to our friends

⁶ *Ibid.*, Aug. 1, 1955, p. 174.

⁷ *Ibid.*, Feb. 17, 1958, p. 243.

in the Middle East. This achievement is not detracted from by Mr. Mikoyan's unwise statement that our forces were obliged to leave under the impact of public opinion, especially when he compares that operation with the brutal Soviet invasion of Hungary, the massive casualties which it caused, and the continued suppression by naked Soviet military force of the ardent aspirations of the Hungarian people for liberty and independence.

Throughout the vast continent of Africa there is a tremendous upsurge of nationalism and awakening of peoples. A major problem is the adjustment between the relationship of dependent territories and the governing European countries. While there are violent local incidents from time to time, there is generally a normal procedure of readying territories for independence and sympathetic consideration of such problems. Our Government maintains close contact with these tremendous developments in a spirit of cooperation and helpfulness.

And in most of uncommitted Asia, as in the Middle East and Africa, there is growing awareness of the Communist menace. There have been second thoughts about Hungary in Asia. The Soviet manipulations of its economic aid to Yugoslavia, the Pasternak incident, and the shocking reports of the Chinese Communist communes have all resulted in a more critical attitude by Asians toward Communist claims and policies. On the positive side the prompt response of the United States and other Western nations to economic and financial needs of Asian countries has emphasized the value of Western ties.

Conclusion

I would like to conclude on a note of relative optimism that, while 1959 may not offer a prospect of sensational improvement in the international situation, there is no reason why substantial progress should not be made toward solution of some of the outstanding problems and differences. We propose on our side to maintain our military, economic, and spiritual strength while persisting in negotiation of the basic issues. At the same time we are making available many of the resources needed to help our allies and other friendly areas promote their progress and strength for independence.

U.S. Clarifies Key Issues of Geneva Negotiations

Department Statement

Press release 63 dated January 24

The statement of the Soviet Government released in Moscow on January 22 about the negotiations in Geneva for the discontinuance of tests of nuclear weapons claims that the United States and the United Kingdom "are obviously looking for an excuse to torpedo the current Geneva talks." This is not so. The fact that the Soviet Union has chosen this moment, when the negotiations are under way at Geneva on central issues of effective controls, to make such unfounded charges raises questions as to their intentions.

The basic facts concerning these important negotiations must be clarified.

The key issues have been clearly revealed in the negotiations which have been under way since October 31. These issues relate to the problem of establishing effective control, for without effective control no agreement can be reached or would be meaningful. The Geneva experts' report of last summer¹ described only the technical features of a control system and did not decide the important political and administrative arrangements which are now under negotiation. Whether the control system is effective or ineffective will depend upon the nature of these arrangements.

These are the major issues:

(1) Will the Soviet Union be able to veto and obstruct every action of the Control Commission, as it now demands, or will it be possible for the control organization to act without this obstacle? The United States believes that any control system which could be frustrated in its day-to-day operations by the veto power in the hands of a single party would be worse than useless.

(2) Will the control posts be manned by an international staff or, as the Soviet demands, by nationals of the government on whose territory the control posts are located, with only one or two outside "observers"? The Soviet position would amount to self-inspection and as such cannot be the basis for an agreement in which all parties can have confidence.

(3) Will international inspection groups be or-

¹ For text, see BULLETIN of Sept. 22, 1958, p. 453.

ganized and ready to move quickly to the site of an event which could be suspected of being an explosion? Or will sending of such a group be subject to weeks of debate and a veto? The Soviet approach would entangle this key provision in miles of red tape.

If these and similar key questions can be solved in a way that will insure that the control system is effective, the matter of how long the agreement will last need not be a matter of concern. Indeed, on January 19, the United States and the United Kingdom showed clearly their readiness to reach a lasting agreement when they dropped the requirement that any discontinuance of nuclear weapons tests must depend on explicit progress on major disarmament measures. The United States is prepared to conclude an agreement for the indefinite discontinuance of nuclear weapons tests subject only to the satisfactory working of the control system. This certainly is not an unreasonable demand. It is a principle repeatedly endorsed by overwhelming majorities in the United Nations.

The Soviet statement attempts to cast doubts on the motivation of the United States in submitting to the Geneva conference data which resulted from the underground nuclear tests which were held last fall.² These data did not invalidate the system agreed upon at Geneva last summer. They did show, however, that it is more difficult than had been believed to distinguish between earthquakes and underground nuclear explosions. Consequently, the system agreed at Geneva, if unadjusted, would result in a burdensome number of onsite inspections, which would be the principal remaining tool to identify possible underground nuclear explosions. The U.S. delegation in Geneva presented these data to the Soviet Union and to the United Kingdom in good faith. In so doing we proposed that they be studied carefully by our respective scientists, who would consider how we might overcome the difficulties disclosed by these new data. Our scientists are urgently studying this problem. We expect to be able to transmit their preliminary conclusions to the Soviet scientists in the near future. We believe that these new scientific facts cannot be ignored in the course of the present negotiations, and to have

withheld them would have been an act of bad faith.

Success in the negotiations in Geneva is squarely up to the Soviet Union. If the Soviet Union is willing to agree to a control organization that can operate effectively, it will be possible to achieve agreement on the cessation of nuclear testing.

The United States sincerely seeks such an agreement, convinced that it would be of paramount importance as a first step toward substantial disarmament and toward easing international tensions. For this reason we will persevere in our efforts to bring these negotiations to a successful conclusion. The world is entitled to similar efforts on the part of the Soviet Union.

Secretary Sends Farewell Message to Deputy Premier Mikoyan

Press release 47 dated January 20

The following is the text of a telegram from Secretary Dulles to Soviet First Deputy Premier Anastas I. Mikoyan which was delivered to Mr. Mikoyan shortly before his departure for Moscow from Idlewild International Airport, New York, on January 20.¹

As you leave the United States, please allow me on behalf of the President, myself and other officials you have met, to express our personal hope that your visit has been of value, and that you will convey to the people of the Soviet Union an expression of the sincere desire of the people of the United States for friendship with them.

Through your visit we hope that you can report to Premier Khrushchev that you have gained an understanding of the attitudes of our people—not only of the desire for peace that they and their Government share so deeply with people everywhere, but also of their unwavering belief, irrespective of their political party, in the right of people to determine their own form of government.

You know President Eisenhower's feeling that more visits and exchanges can help us to understand each other, and assist the people of both countries basically to share the goals of security,

² *Ibid.*, Jan. 26, 1959, p. 118.

¹ Mr. Mikoyan made an unofficial visit to the United States from Jan. 4 to 20.

ever-improving standards of living, and ever-increasing opportunities for personal development. The President is aware that you operate under a system of State capitalism, and he hopes it has been useful to you to have seen the progress of our people under our system of individual capitalism.

We are sure that you have found the experience interesting.

For both peoples, the President expresses hope for advancement of that enduring spirit of peace and friendship which must bring benefit to the people themselves.

The United States and the New Africa

by Joseph C. Satterthwaite
Assistant Secretary for African Affairs¹

I wish to congratulate Tulane University for selecting such a timely and vital topic for its 1959 regional conference. As students of world affairs are generally agreed, there is probably no geographic area on earth today more alive with change, more politically, socially, and economically *en marche* than Africa.

The year 1958 alone marked a major milestone in African historical development. Let us consider now some of these developments, review certain aspects of the African political and economic situation today, and note pertinent United States policies affecting this continent.

Of necessity, I hasten to add, only high points on the current African scene can be singled out in an address of this duration. There will therefore be some areas and many important problems that I shall not be able to consider.

The Political Situation in Africa Today

The political situation in Africa today can be described as vibrant, if not effervescent. The pattern of the new Africa is unfolding rapidly. Although it will be strikingly different from the old, its future is almost beyond conjecture. One thing is certain: Americans must understand the vast political potential of this colossal continent, almost four times the size of our own country.

¹ Address made before the Southern Regional Assembly (Tulane University) at Biloxi, Miss., on Jan. 17 (press release 38 dated Jan. 16).

To do so, they must sympathetically appreciate the legitimate aspirations of Africa's 220 million people.

We can perhaps understand some of these aspirations by reviewing for a few moments the resolutions of the nongovernmental, but important, All-African Peoples Conference, held at Accra, Ghana, from December 8 to 12, 1958. Some 170 delegates from 62 organizations and parties in 28 independent or dependent African territories attended this significant meeting, joined by another 130 fraternal delegates and observers from non-African territories, including the United States, the Soviet Union, and Communist China.

The major resolution of the conference condemned imperialism and colonialism, called upon the independent African states to assist independence movements in dependent areas, supported peaceful action toward independence, and approved violent retaliation against violent subjugation and exploitation.

Other resolutions condemned racialism and discriminatory laws; tribalism, religious separatism, and traditional institutions as instruments of colonialism and obstacles to progress; endorsed pan-Africanism and regional federations as steps to a pan-African commonwealth; denounced artificial frontiers, travel and citizenship barriers among Africans; called for solidarity among African trade unions; proposed reciprocal teaching of English and French; and established a permanent secretariat in Accra.

The conference also appointed a 15-member

steering committee, headed by Tom Mboya of Kenya, and instructed the group to meet twice a year.

Vice President Nixon sent a message of greetings to Prime Minister Nkrumah of Ghana,² the conference host, and among the 25 American observers and fraternal delegates present were Congressman Charles C. Diggs, Jr., of Detroit, Michigan, and Mr. Mason Sears, United States Representative on the United Nations Trusteeship Council.

Although some of the resolutions and statements made at the Accra sessions are controversial, it is evident that the resolutions generally reflect African aspirations for self-government and economic and social progress and a deep-seated opposition to colonialism and racial discrimination. Such attitudes on the part of African political delegates are understandable and are feelings with which Americans can legitimately sympathize.

As Secretary Dulles stated in an address at Cleveland on November 18, 1958,³

The United States supports political independence for all peoples who desire it and are able to undertake its responsibilities. We have encouraged and we rejoice at the current evolution.

The ability to undertake the responsibilities of independence is achieved, among other things, through development of an adequate political, social, and economic structure, through experience in self-government, and through the general understanding of the interdependence of all states in the closely knit world of the 20th century.

The recent Accra conference obviously created a "heady" atmosphere and will undoubtedly give impetus to the basic African movement toward self-rule in the area where it does not now exist. The relatively moderate position taken on the fundamental question of violence versus nonviolence in the achievement of independence, the trend toward unity of purpose, and the emergence of a distinctive African personality give some cause for encouragement to those who favor the peaceful, orderly development of Africa toward self-government and autonomy.

Another observation that seems pertinent in connection with the All-African Peoples Conference, at which numerous labor organizations were represented, is that many African labor leaders,

with their trade-union organizations, are playing prominent and even decisive roles in the African independence movement. The United States follows African labor developments with interest, not merely because international communism considers organized labor a primary target but because of its basic importance in the development of stable regimes in each territory or state. A further indication of the importance of African labor developments is the establishment this month by the International Labor Organization (ILO) of its first field office in Africa. The office will be located in Lagos, capital of Nigeria.

In view of the many political movements now in motion on the African continent, with the constant requirement for adjustment and accommodation on the part of all concerned, it is particularly significant to note the important new policy announced by the Belgian Government January 13 for the Belgian Congo. Under this program greater immediate participation by Africans in the political life of the Congo is planned, beginning with elections this year for African councilors in towns and most rural areas and election of provincial councils in 1960. These in turn are to elect members of central and general legislative councils. In addition the Government announced that eventual independence was foreseen but expressed the hope that the Congo would choose association with Belgium.

Regional Groupings

In addition to historic changes occurring within African territories, the trend toward formation of regional groupings or federations of independent states to strengthen the independence movement on the continent is perhaps of even greater significance. Let us review for a moment the progress being made toward these groupings, which were so strongly supported by the delegates to the All-African Peoples Conference. We can begin in the West.

On November 23, 1958, President Sekou Toure of Africa's newest independent state, Guinea, and Prime Minister Kwame Nkrumah of Ghana announced a plan to federate their countries to serve as the nucleus of a union of West African states and said the adherence of other West African territories would be welcomed. The two Heads of Government agreed: (1) to set

² BULLETIN of Dec. 29, 1958, p. 1042.

³ *Ibid.*, Dec. 8, 1958, p. 897.

up a joint economic commission to study mutual problems of economics and finance as well as means to improve communications; and (2) to appoint a joint constitutional commission to work out a constitution for the two states. The leaders indicated both states would retain ties with their former mother countries, France and Great Britain; would retain local autonomy while at the same time harmonizing their defense, foreign policy, and financial and economic policies. Simultaneously Ghana made available to Guinea \$28 million in credits.

It is difficult to evaluate the evolving Ghana-Guinea federation, since it remains to be seen how the two Governments will in fact coordinate their policies, particularly their monetary systems and their respective relations with the British Commonwealth and French Community. In the meantime, Ghana and Guinea remain separate and sovereign entities, each with full membership in the United Nations and each responsible for its own foreign affairs. In addition, on January 7 Guinea and France signed a series of three agreements—financial, cultural, and technical assistance—which (1) keeps Guinea in the franc zone; (2) retains French as the official language of the country; and (3) authorizes sending of French technicians and administrative advisers to Guinea.

In the next few weeks and not later than April 6 the new French Community will be established and functioning. Although French Somaliland voted to retain its present status as an overseas territory of France, the 12 other African member territories have voted to associate with France in the new Community as autonomous republics. As such each will have complete local autonomy, but such matters as foreign relations, defense, and currency will be the common responsibility of the Community. The latter will be headed by a president and have an executive council, legislative body, arbitral tribunal, and perhaps an administrative secretariat.

The new French Constitution, approved last September 28, permits any member of the French Community to leave the Community and also provides for territories to become members of the Community either separately or in association with other states. The latter provision has appealed to several French African states which believe that a primary federation can more efficiently perform certain governmental functions such as collection of customs and taxes and direc-

tion of civil service than can the states individually.

Meeting at Bamako the last days of 1958, four autonomous republics of French West Africa—Senegal, Sudan, Upper Volta, and Dahomey—voted to associate in a primary federation. Principal emphasis in forming this association was on cooperation in the fields of trade, transport, and communications, but political coordination was also sought.

Although the situation in the four French Equatorial African autonomous republics is unclear, meetings of representatives of these republics have been held to discuss means for greater interstate coordination in various fields. What will finally result cannot be safely predicted, although the desire for greater areawide cooperation seems evident.

West African Federation

At a constitutional conference in London last September and October the already established giant West African Federation of Nigeria—Africa's most populous state—determined, with British colonial officials, the steps to be taken to achieve independence within the British Commonwealth on October 1, 1960. The history of the formulation of our own Constitution in 1787 gives us some indication of the problems faced by the Nigerian Federation delegates in London last fall. Seldom has any group of political leaders demonstrated more statesmanlike qualities than those displayed by these Nigerian leaders and British colonial officials at this month-long conference. Although the Federation must still face the stresses and strains of a national election this year, the Nigerians have given every evidence of being capable of carrying their important federation of some 35 million West Africans through the final transition to independence in good order.

Movements toward federation are not limited to West Africa. Last September 16 to 18 African political leaders from Kenya, Uganda, Tanganyika, Zanzibar, and Nyasaland met at Mwanza, Tanganyika, to discuss an East African regional association. Principal results of this conference were the formation of the Pan-African Freedom Movement of East and Central Africa (PAF-MECA), issuance of the Mwanza Charter, and formation of a caretaker committee.

This movement seeks to coordinate African self-rule programs in East Africa by means of territorial "freedom committees." Membership is open to "all nationalist and labor organizations which accept and conform to the policy of Pan-Africanism and the liberation of Africa." Headquarters of their permanent secretariat will be at Dar-es-Salaam, Tanganyika.

One outcome of this conference was a series of talks at Kampala in November which resulted in an agreement to merge the Uganda National Congress with the United Congress Party of Uganda. It is anticipated that the movement will sponsor similar nationalist party consolidations in Zanzibar. It is evident that this East African movement seeks independence of its territories first and federation later.

In the north along the Mediterranean littoral the dominant political parties of Tunisia and Morocco met with representatives of the Algerian National Liberation Front (FLN) at Tangier, Morocco, in April 1958 to discuss plans for a North African federation or "Greater Maghreb." Resolutions were approved calling for formation of a Maghrebian consultative assembly and a permanent secretariat.

Consummation of such a federation will necessarily have to await an Algerian settlement, and accordingly demands for Algerian independence are taking precedence over concrete measures for regional cooperation in this area.

What, it may be asked, is the United States attitude toward the general concept of federation or regional association in Africa?

The United States views with favor political associations of African states when such associations contribute to political stability and economic viability and are in accordance with the desires of the populations concerned.

As the United States itself is a federation and found the federal principle practical for resolving the need for effective economic and political cooperation among the original 13 colonies, it is natural that this country should view with special interest the trend toward federal associations in other parts of the world. But African federation, after all, is an African problem and will have to be solved by Africans.

Another important development in current African political evolution is the anticipated achievement of independence by four United Na-

tions trust territories in 1960. The United States has followed with interest the political evolution of French Togo, Somaliland under Italian administration, and British and French Cameroons, and in the 13th session of the United Nations General Assembly supported all resolutions designed to pave the way for their independence.

Last November 14 the General Assembly noted that the Governments of Togo and France had decided by mutual agreement that Togo should attain independence in 1960 and gave its approval. The United States was a cosponsor of the pertinent General Assembly resolution.⁴

A few weeks later, on December 5, the U.N. General Assembly noted another declaration of France that the French Cameroun would achieve independence on January 1, 1960, and the state of the British Cameroons was expected to achieve either self-government or independence in 1960, concomitantly with the independence of Nigeria on October 1 of that year. With these developments in mind, the General Assembly requested the U.N. Trusteeship Council at its session next month (1) to examine the reports of the Council's recently concluded visiting mission to the two Cameroons and (2) to make observations and recommendations on the future of the two trust territories at the resumed session of the 13th General Assembly scheduled to meet on February 20.

The visiting mission, a regular mechanism of the Trusteeship Council, was under the chairmanship of Mr. Benjamin Gerig of the United States. Conclusions of this mission will doubtless have a far-reaching influence on United Nations deliberations on the future of these two trust territories. The United States looks forward to their emergence from trusteeship status in 1960.

The Italian Trust Territory of Somaliland, now called Somalia, is scheduled by U.N. resolution to achieve its independence by December 2, 1960. This trust territory engaged the attention of the recent United Nations General Assembly session in two important aspects: (1) its economic viability after it achieves independence and (2) its disputed border with Ethiopia. The General Assembly in both cases adopted resolutions which registered some progress toward a solution of these

⁴ For a U.S. statement made in Committee IV (Trusteeship) on Nov. 4 together with text of the resolution, see *ibid.*, Dec. 29, 1958, p. 1073.

two problems but which also emphasized the desirability of final solutions for these problems before Somalia achieves final independence. In each instance the United States exerted a great effort to be constructive and helpful to the parties concerned. The United States has also been able through technical and economic assistance programs to extend aid to the Somali people during this important transitional period. We will welcome Somalia into the family of independent nations in 1960, and we intend, together with other friendly Western nations, to contribute what we can to the new nation in its efforts to solve its problems and consolidate its independence.

Standing out on the current African political scene are two very serious problems: (1) that of achieving a just racial policy in multiracial areas of settlement and (2) that of maintaining the freedom of the African nationalist movement from the interference of international communism.

Problem of Just Racial Policies

Racial problems in West Africa have been almost nonexistent because non-Africans have come there almost exclusively as traders, missionaries, teachers, administrators, or technicians and not as settlers. In East, Central, and Southern Africa, however, the problem is that of working out equitable policies to govern relations between several races living side by side. Fundamentally it is not contact between Africans, Europeans, Asians, and Arabs alone that gives rise to serious race problems in this area but rather social and economic competition between several permanently established racial groups. The overall problem revolves around two factors: (1) the African's aspiration to increase his share of his country's great natural resources and production and to achieve more nearly the European living standard and (2) the aspiration of African nationalists for a "one man, one vote" electoral policy and eventual African majority rule.

The United States cannot ignore the serious dangers inherent in any failure to meet the problem of harmonious, just race relations in Africa's dependent and independent territories. But the United States, in view of its continuing domestic problems in the field of race relations, must in good conscience and with appropriate humility avoid attempting to suggest specific solutions to

any African territory. The problems of the multiracial states in Africa are enormously complicated and permit no pat solution. We must regard them with understanding while at the same time continuing, as in the past, to stand steadfast in all international forums for the principle of nondiscrimination and racial equality throughout the world. Then, insofar as we are able to set the good example by solving our own race-relations problem, we will be better able to contribute to constructive and moderate solutions of similar problems in Africa.

In addition to the thorny race problem Africa today faces the major danger of the 20th century—that of predatory international communism, the new imperialism of the Union of Soviet Socialist Republics.

International Communism and African Nationalism

Under active Russian guidance the aggressive Soviet bloc is now directing a subtle effort toward influencing the burgeoning African nationalist independence movement.

Noting this problem facing all newly independent areas, Secretary Dulles declared in his recent Cleveland address that the United States must

... recognize that under present conditions newly created nations face a formidable task. They are marked out by international communism as special prey. It is classic Communist doctrine, enunciated by Lenin, that communism should initially stimulate "nationalism" in order to break the ties between colonized areas and the colonial powers. Then communism should move in to "amalgamate" the newly independent peoples into the Communist bloc.

The diversified Soviet tactics employed in Africa today are designed to promote identification with emerging nationalist elements and further to reduce Western influence in the newly independent states by rapidly establishing political relations and signing economic and trade agreements.

As Secretary Dulles also said at Cleveland:

There is great danger that newly granted independence may turn out to be but a brief interlude between the rule of colonialism and the harsh dictatorship of international communism.

He added, however:

The fact of that risk must not . . . lead us to abandon our basic faith in the right and capacity of peoples to

govern themselves. What is needed is to reinforce that faith with a resolve to help the new nations to solve their problems in freedom and thus to preserve their newly found independence.

The first African problem requiring our assistance in this context is of course the socioeconomic problem.

The Economic Situation in Africa Today

Africa's economic and social needs, like her political and racial problems, are as colossal as the continent itself. The basic list must include the need for developmental investment capital, both private and public; for more skilled labor, technicians, and executives; for more and better transportation and communication facilities; for diversification of one-crop economies, improved agricultural techniques, and the development of small industries; and, above all, for more widespread medical, public-health, and educational facilities.

In general terms economists who have devoted much consideration to the problem of developing the world's underdeveloped economies believe that all such economies reflect a condition of stable or quasi-stable equilibrium wherein any tendency toward improvement in per capita income is counterbalanced and dissipated through a fall in mortality rates. A major aspect of the problem, in short, is one of breaking through this vicious circle by introducing capital investment and improved technology in sufficient magnitude and in sufficiently effective form to bring about a net gain which would pave the way to sustained economic growth.

Africa's socioeconomic problems, in sum, constitute a major challenge to the West. No one nation can possibly solve them alone. Africa must have and deserves the cooperative support of her free-world partners in this endeavor. Happily much has already been done and more is being organized.

Just a few weeks ago the inaugural session of the United Nations Economic Commission for Africa (UNECA) was held at Addis Ababa, its permanent headquarters. This Commission, created by the United Nations Economic and Social Council (ECOSOC) last year, is designed to raise the level of economic activity and living standards of African nations: (1) by the collection and dissemina-

tion of information; (2) by offering advice and assistance on coordinated economic policies; and (3) by supporting such ECOSOC functions as technical assistance. The U.N. Economic Commission for Africa is designed, in effect, to bring into focus Africa's economic problems as well as its opportunities. And it is clear from the opening session at Addis Ababa that the Commission will provide a forum for a broad exchange of views and ideas for accelerating African economic development.

Speakers at the opening session of UNECA, which now has 15 members and 9 associate members, were generally agreed that Africa's currently artificial political boundaries should not be allowed to develop into economic barriers as new territories gained independence. There was general recognition of the need for regional cooperation in both planning and executing economic programs and general agreement that much help is still needed from the more highly developed countries, particularly in the fields of technical training, development of adequate statistics, and providing investment capital.

Aside from creating the Economic Commission for Africa, the United Nations has contributed considerably to Africa's economic development in the last decade. The International Bank for Reconstruction and Development (IBRD) has loaned more than \$400 million to African states and territories since its operations began. Bank President Eugene R. Black contemplates that the annual rate of investment in Africa by the International Bank will expand this year. The United States contributes 40 percent of the bank's funds.

United Nations and specialized-agency technical assistance programs have shown acute awareness of the increasing needs of African states and territories and the ability of this area to benefit substantially from multilateral technical assistance. The United Nations Expanded Technical Assistance Program, to which the United States is also the major contributor, is financed by voluntary contributions from some 80 governments and is carried out by the United Nations and such United Nations agencies as the World Health Organization (WHO) and the Food and Agriculture Organization (FAO).

The share of the Expanded Program's total resources allocated to the African region has

risen from about 9 percent in 1956 to 15 percent in the 1959 budget, under which African programs will be allocated approximately \$4 million. The United States has consistently encouraged this trend in the program's administration.

United States foreign economic policy has been founded on a clear recognition of American interdependence and mutuality of interest with other nations of the free world, including those of Africa. In fiscal year 1958 the mutual security program for Africa totaled \$77 million, and in the current fiscal year, 1959, the total will be still higher. The bulk of this aid has been going to the North African states, but sub-Saharan territories are now figuring more importantly in the overall aid picture, particularly in the field of technical assistance. Countries now receiving United States economic or technical assistance are Morocco, Tunisia, Libya, the Sudan, Ethiopia, Somalia, Liberia, Nigeria, Ghana, Sierra Leone, the British East African territories, and the Federation of Rhodesia and Nyasaland.

By comparison, of course, the European countries with African interests have been providing assistance and investment at the rate of approximately \$700 million a year.

The United States Export-Import Bank has been lending African states and territories up to \$10 million to \$15 million annually for development projects. In addition the new Development Loan Fund (DLF) has approved loans to Liberia, Tunisia, Libya, and Somalia and has several additional loan applications from African states pending.

European and American private investments are vital to African trade and economic development. European private investment in the continent figures in the billions; U.S. private investment totals about \$624 million, roughly one-half of which is in the Union of South Africa. United States trade with Africa totals about \$1.1 billion annually, and the raw materials which Africa provides the United States have a value to our economy not measurable in dollars.

The philosophy which motivates the basic American approach to the problem of African economic and social development was well stated by Dr. Walter M. Kotschnig, United States official observer at the inaugural session of the Economic Commission for Africa. Dr. Kotschnig

said the United States defines economic and social development as an "investment in human beings." "There is little meaning," he went on, "and perhaps even real disadvantage in economic development which does not have as its primary objective raising the levels of living of people, all the people. Steel mills, machine-tool plants, power developments, and any number of earth satellites mean very little unless they permit the individual in our respective societies to live a fuller life in greater freedom. This means better education, better health, a greater volume of consumer goods, and the right to enjoy all these benefits without dictation and regimentation from above."

Conclusions

As the old Africa refashions its visage and the new, vibrant, and politically articulate Africa evolves, the United States recognizes the challenge of the hour—the challenge to contribute to the stability and orderly evolution of this giant continent, to be responsive to its needs and sympathetic to its legitimate aspirations.

It is evident that the new Africa is generally opposed to racial discrimination and rule from without; that it is earnestly seeking greater unity of purpose; that it shows considerable favor to the creation of regional associations to meet the need for coordinated social, economic, and political development; that the United Nations trusteeship system and other United Nations activities are materially assisting the orderly advancement of the continent; that Africans need important outside assistance to meet their pressing economic problems; and that international communism is actively working to subvert African nationalism to its purpose. The West must show dedication and imagination and build a new relationship with the dynamic 20th-century Africa based on principles of equality, justice, and mutual understanding.

In a spirit of partnership, of enlightened good will and generosity worthy of its position as a major world power, the United States must assist Africa to achieve its objectives by peaceful and orderly means. Active support of the American intellectual and private community to this end is essential. This is the role which you here tonight can and must play.

U. S. Denies Supplying Arms to Cuba After March 1958 Cutoff Date

Press release 50 dated January 21

The U.S. Government at no time made available combat arms of any kind through third countries or in any other way to the Batista government after suspending armaments shipments to Cuba in March 1958, the Department of State declared on January 21. The statement was made as the result of a press report attributed to a Cuban naval officer on January 20 that bombs from the United States were transshipped through Nicaragua after the cutoff date.

The Department received categorical assurances from the Nicaraguan Government on January 21 that no U.S. arms were shipped from Nicaragua to the Batista government. The American Embassy at Managua said that it had never heard of U.S. arms being sent from Nicaragua to Cuba.

President's Military Aid Committee Announces Three Area Study Groups

White House press release dated January 16

William H. Draper, Jr., chairman, the President's Committee To Study the United States Military Assistance Program,¹ announced on January 16 that two area study groups will leave for Asia next week and a third will leave for the Middle East shortly thereafter. Each will analyze American military aid and its relationship to economic assistance and to the political and economic foreign policies of the United States in the area to be visited.

The Northeast Asia group will be headed by Joseph M. Dodge, member of the President's committee, and will include Gen. John E. Hull, USA (retired), military adviser to the committee. A second area team going to Southeast Asia will be headed by Dillon Anderson, committee member, and will include Gen. J. Lawton Collins, USA (retired), military adviser. The Middle East group includes two members of the committee,

¹For text of a letter from President Eisenhower to Mr. Draper outlining the purpose and scope of the committee and an announcement of the other members of the committee, see BULLETIN of Dec. 15, 1958, p. 954.

George McGhee and Adm. Arthur W. Radford, USN (retired).

The three study groups will be accompanied by civilian and military members of the committee's staff and will discuss the subjects under review by the committee with officials of the United States and with others in the several countries.

DLF Makes Loan in Taiwan for Shipyard Expansion

Press release 57 dated January 22

Dempster McIntosh, Managing Director of the Development Loan Fund, on January 22 signed an agreement to lend \$2 million in DLF funds to the Ingalls-Taiwan Shipbuilding and Dry Dock Co. to finance the costs of acquiring equipment and materials for expansion of shipyard and repair facilities at Keelung, Taiwan.

The agreement was signed for Ingalls-Taiwan by C. C. Wei, vice president of the company. Martin Wong, Economic Minister Counselor of the Chinese Embassy, attended the signing ceremony.

Ingalls-Taiwan is controlled by private U.S. interests, but Chinese citizens also have invested in the enterprise. The loan will make possible construction of a third graving dock at Keelung. In addition to increasing the capacity of the harbor facilities for serving tankers, fishing vessels, and other commercial craft, it will also enable them to be used for serving U.S. naval vessels if necessary.

This loan is a companion transaction to a \$4.5 million loan made by the Bank of America and the Marine Midland Trust Co. of New York to the Ingalls company, collectibility of which was guaranteed by the DLF under an agreement signed last December 7. Originally the company had requested the DLF for a loan of \$6.5 million. Making use for the first time of its authority to guarantee collectibility of loans, the DLF was instrumental in obtaining participation of the private banks. Mr. McIntosh called the arrangement "an example of the way in which we will tailor our activities to accomplish a desirable end" and added: "We hope in the future to employ our guaranty authority in this manner and in other ways to encourage private investment abroad."

Maintaining World Peace and the Security of Free Nations

EXCERPTS FROM PRESIDENT EISENHOWER'S BUDGET MESSAGE¹

To the Congress of the United States:

The situation we face today as a nation differs significantly from that of a year ago. We are now entering a period of national prosperity and high employment. This is a time for the Government to conduct itself so as best to help the Nation move forward strongly and confidently in economic and social progress at home, while fulfilling our responsibilities abroad. The budget of the United States for the fiscal year 1960, transmitted herewith, will effectively and responsibly carry out the Government's role in dealing with the problems and the opportunities of the period ahead.

This budget proposes to increase our military effectiveness, to enhance domestic well-being, to help friendly nations to foster their development, to preserve fiscal soundness, and to encourage economic growth and stability, not only in the fiscal year 1960 but in the years beyond. And it clearly shows that these things can be done within our income.

We cannot, of course, undertake to satisfy all proposals for Government spending. But as we choose which ones the Government should accept, we must always remember that freedom and the long-run strength of our economy are prerequisite to attainment of our national goals. Otherwise, we cannot, for long, meet the imperatives of individual freedom, national security, and the many other necessary responsibilities of Govern-

ment. In short, this budget fits the conditions of today because:

1. *It is a balanced budget.*—My recommendations call for an approximate equality between revenues and expenditures, with a small surplus.

2. *It is a responsible budget.*—By avoiding a deficit, it will help prevent further increases in the cost of living and the hidden and unfair tax that inflation imposes on personal savings and incomes.

3. *It is a confident budget.*—It anticipates, in a rapidly advancing economy, increases in revenues without new general taxes, and counts upon the unity and good judgment of the American people in supporting a level of government activity which such revenues will make possible.

4. *It is a positive budget.*—It responds to national needs, with due regard to urgencies and priorities, without being either extravagant or unduly limiting.

5. *It is an attainable budget.*—Its proposals are realistic and can be achieved with the cooperation of the Congress.

Budget Totals

Budget expenditures are proposed to be held to \$77 billion in fiscal 1960, which is \$3.9 billion less than the estimated 1959 level of \$80.9 billion.

With continued vigorous economic recovery, and with the relatively few new tax adjustments proposed herein, budget receipts in fiscal 1960 are expected to reach a total of \$77.1 billion, an increase of \$9.1 billion over fiscal 1959.

Thus a very modest surplus of about \$0.1 billion is estimated for 1960, compared with a recession-

¹ H. Doc. 15, 86th Cong., 1st sess., transmitted on Jan. 19; reprinted from *Cong. Rec.* of Jan. 19, pp. 751ff. The message, together with summary budget statements, is for sale by the Superintendent of Documents, U.S. Government Printing Office, Washington 25, D.C.; price \$1.75.

induced deficit of \$12.9 billion in the current fiscal year. This estimated balance assumes enactment of recommendations for extending present excises and corporation income taxes scheduled for reduction under existing law, for some new tax legislation to remove inequities and loopholes, for increased charges for special services, and for reductions in some current programs. It also assumes that certain programs can be made self-financing by stepping up the sale of portfolio assets.

Financing of the \$12.9 billion budget deficit for the current fiscal year will increase the public debt to \$285 billion by June 30, 1959, \$2 billion in excess of the present permanent debt limit. With a balanced budget in 1960, a \$285 billion debt is indicated also for June 30, 1960. On the basis of these estimates, it will be necessary to renew the request made during the past session of Congress for a permanent debt ceiling of \$285 billion and, further, to seek an increase in the temporary debt ceiling sufficient to cover heavy borrowing requirements during the first half of the fiscal year 1960, borrowings which would be repaid before June 30, 1960.

The new authority to incur obligations recommended for fiscal 1960 is \$76.8 billion, which is slightly less than the estimates for expenditures and for receipts. Further reductions in new obli-gational authority can be attained in 1961 by the Congress enacting my recommendations for program modifications.

BUDGET TOTALS

[Fiscal years. In billions]

	1957 actual	1958 actual	1959 estimate	1960 estimate
Budget receipts.....	\$71.0	\$69.1	\$68.0	\$77.1
Budget expenditures.....	69.4	71.9	80.9	77.0
Budget surplus (+) or deficit (-).....	+1.6	-2.8	-12.9	.+1
New obligational author- ity.....	70.2	76.3	¹ 82.4	76.8

¹ Includes \$8.7 billion of anticipated supplemental requests.

Major Program Recommendations

Eleven key features of the budget recommendations are summarized below:

1. Strengthen the effectiveness of our Armed

Forces by further modernization and by improved efficiency of operations; and strengthen free world security by continued military assistance to our allies.—This budget assures that essential defense needs are met. The budget recommendations will bolster the defense of our country against possible attack and enable our forces to respond more quickly and vigorously to any emergency. At the same time, and as part of our effort to keep America strong, this budget reflects policies to streamline operations, to remove duplication of weapons, to accentuate the principle and practice of unification, and to minimize maintenance costs—in short, to assure the maximum defense from each dollar expended. A realinement of the Armed Forces and a continuing reappraisal of existing defense activities are underway to accomplish these objectives. This can be illustrated by the changes in the composition of expenditures for the Department of Defense. While the estimated total expenditures for the Department will increase \$145 million from 1959 to 1960, those for procurement of missiles and for research, development, test, and evaluation will rise more than \$800 million.

In addition to strengthening our own Armed Forces, and recognizing the inseparability of free world defense, the budget continues to provide through military assistance the critical margin of weapons and equipment required by our allies who, with us, forge a strong shield against possible aggressors.

2. Assist free nations in their economic development through well-considered programs.—Today the less-developed nations—a score of which have attained independence since World War II—are struggling to improve their economic and social conditions. The success of these efforts is vital not only to the freedom and well-being of the millions of people within their boundaries but also to the population of the entire world. Fortunately, the free countries of the world are taking many actions together to promote trade with and to expand investment in such nations. As part of this joint effort, the following actions for the United States are recommended:

(a) Increase substantially our subscriptions to the International Bank for Reconstruction and Development and the International Monetary Fund. This should be done promptly.

(b) Bring the capitalization of our Development Loan Fund up to the amount originally

recommended for the fiscal year 1959 by enacting a supplemental amount of \$225 million.

(c) As a supplement to established institutions, create a joint development banking institution with our Latin American neighbors.

(d) Increase the emphasis on economic development in the mutual security programs through such measures as the appropriation of \$700 million for the Development Loan Fund and \$211 million for technical cooperation in fiscal 1960.

(e) Enact legislation to expand the mutual security investment guaranty program.

development and evaluation of new weapons, while reducing expenditures for other procurement and for construction. The Atomic Energy Commission is advancing all phases of its programs, particularly research in the peaceful uses of atomic energy. Our allies' progress in equipping their armed forces and the deliveries under military assistance in 1959 and prior years permit a reduction in military assistance expenditures. Expenditures for stockpiling and expansion of defense production will be reduced because basic stockpiling objectives for most materials are now fulfilled and because many defense production expansion contracts have already been completed.

Total expenditures for major national security programs in fiscal 1960 are estimated to be \$45.8 billion.

REVIEW OF MAJOR FUNCTIONS

The table below compares current estimates for each of the nine major functional categories in this budget with the actual figures for fiscal 1958 and the latest estimate for 1959. The recommendations and estimates for 1960 are discussed in the sections of this message which follow the table.

BUDGET EXPENDITURES

[Fiscal years. In millions]

Function	1958 actual	1959 estimate	1960		Percent of total
			Estimate	Percent of total	
Major national security	\$44,142	\$46,120	\$45,805	59.5	
International affairs and finance	2,234	3,708	2,129	2.8	
Commerce and housing	2,109	3,509	2,243	2.9	
Agriculture and agricultural resources	4,389	6,775	5,996	7.8	
Natural resources	1,543	1,708	1,710	2.2	
Labor and welfare	3,447	4,380	4,129	5.4	
Veterans' services and benefits	5,026	5,198	5,088	6.6	
Interest	7,689	7,601	8,096	10.5	
General government	1,356	1,673	1,735	2.2	
Allowance for contingencies		200	100	.1	
Total	71,936	80,871	77,030	100.0	

Major National Security

The changes in emphasis in the four major national security programs for the fiscal year 1960 reflect the growing armed strength of the United States and its allies and the continuing modernization of defense methods. The Department of Defense will significantly increase expenditures for procurement of missiles and for

MAJOR NATIONAL SECURITY

[Fiscal years. In millions]

Program or agency	Budget expenditures			Recommended new obligational authority for 1960
	1958 actual	1959 estimate	1960 estimate	
Department of Defense—Military Functions:				
Present program	\$39,062	\$40,800	\$40,693	\$39,287
Proposed legislation for construction			252	1,563
Subtotal	39,062	40,800	40,945	40,850
Atomic Energy:				
Present program	2,268	2,630	2,717	2,622
Proposed legislation			28	150
Subtotal	2,268	2,630	2,745	2,772
Stockpiling and expansion of defense production:				
Present program	625	378	140	-----
Proposed legislation			125	-----
Subtotal	625	378	265	-----
Military assistance:				
Present program	2,187	2,312	1,600	-----
Proposed legislation			250	1,600
Subtotal	2,187	2,312	1,850	1,600
Total	44,142	46,120	45,805	45,222

¹ Compares with \$40,448 million of new obligational authority enacted for fiscal 1958 and \$45,704 million (including \$619 million of anticipated supplemental authorizations) estimated for fiscal 1959.

Development and control of atomic energy.—Expenditures by the Atomic Energy Commission are expected to reach an alltime high of \$2.7 billion in fiscal 1960. This large amount reflects our determination to maintain our position of world leadership in the field of nuclear military armaments until such armaments are brought under adequate international control and to promote the development of peaceful applications of atomic energy.

In the light of our offer to suspend tests of nuclear weapons for a 1-year period starting October 31, 1958, and in view of the negotiations for further suspension, the budget does not provide for any weapons tests in the fiscal year 1960. Under the circumstances, testing grounds in Nevada and the Pacific will be kept on a standby basis.

A satisfactory test suspension agreement, of course, is but a first step toward reducing the grave threat of nuclear warfare. This administration intends to explore all possible means of attaining armament control under adequate inspection guarantees despite the recent suspension of negotiations on means of avoiding surprise attack. I hope that we shall succeed. Until an acceptable agreement is reached, however, financial authorizations must be provided to continue development and production of nuclear weapons at current high levels to meet a variety of military needs.

Programs for the development of nuclear reactors for a variety of military propulsion and power applications will be continued at or above the high levels already attained.

Peaceful uses of atomic energy.—At the second Conference on the Peaceful Uses of Atomic Energy in Geneva during September 1958, the United States demonstrated the range and scope of its atomic research and development in the peaceful applications of this new energy source.

We plan to pursue energetically the promising technical approaches to civilian power reactors. We will emphasize efforts to reduce the cost of the reactor fuel cycle; such a reduction is basic to the attainment of economic atomic power. This budget provides for continuation of construction and for development, modification, and operation of a number of experimental and prototype power reactors owned by the Government, including operation of the atomic power station at Shippingport, Pa., the world's first nuclear powerplant devoted primarily to the production of electric

energy. We will also continue substantial support of power reactor projects undertaken by groups outside of the Atomic Energy Commission.

The Commission in exercising its responsibility for direction of the civilian nuclear power development program will identify desirable projects to advance that program. In carrying out these projects the Commission will continue to work with the Nation's electric power producers, both privately and publicly owned, and will continue to seek cooperation from industry in order to utilize its experience and resources. In addition, exchange of technical information with foreign countries will be expanded through participation in international undertakings, especially the European Atomic Energy Community—Euratom—and the International Atomic Energy Agency.

Further investigations into the possible use of nuclear explosions for such peaceful purposes as mining and earth moving, known as Project Plowshare, will be conducted.

Legislation will be proposed in this session to carry out the recommendations of the Joint Federal-State Action Committee in the field of atomic energy, which would recognize certain State responsibilities for the protection of public health and safety.

The budget provides for a higher level of research in the physical and life sciences. Three large particle accelerators in the multibillion electron volt range will be put in operation in 1960. These new accelerators, together with two already completed, will produce valuable new information on the basic structure of the atomic nucleus. More advanced experimental devices will be fabricated and operated to explore the control of thermonuclear reactions. Also, as part of the life science program, the budget includes funds for the operation of the new Brookhaven Medical Center, where the first nuclear reactor designed primarily for medical research purposes is located.

Stockpiling and defense production expansion.—Most of the objectives for the stockpile of strategic and critical materials have been substantially reduced as a result of new studies, and most of these reduced objectives have been met. Consequently, the need for new procurement has been sharply decreased. At the same time deliveries under contracts made during the Korean conflict to encourage expanded production of defense materials are declining. Substantial reduction in the Government's purchase commitments

has also been achieved through negotiation with contractors.

For these reasons, expenditures for stockpiling and expansion of defense production are estimated to decline from \$378 million in fiscal 1959 to \$265 million in 1960. However, because the present authority is inadequate, legislation will be needed in 1959 to authorize an additional \$325 million to finance probable deliveries in the next 2 years under existing contracts for expanding defense production.

Mutual security program.—The mutual security program is designed to help strengthen the defense and bolster the political and economic stability of the free world. Through it the United States

section of the message. The other portions of the mutual security program are directed primarily toward promoting stability and economic growth in less developed countries. They are discussed in the international affairs and finance section of this message.

The accomplishments, future needs, techniques, and interrelationships of military and economic assistance need to be reassessed in the light of continuing change in military technology and strategy and in economic and political conditions, and with consideration of new Communist techniques in waging the cold war. Therefore, I recently appointed a committee of outstanding citizens, with experience in government, the Armed Forces, and business, to appraise the military assistance program and the relative emphasis the United States should place on military and economic aid. Accordingly, in the present budget, provisions for the mutual security program are subject to whatever recommendations I may make in connection with my later transmission to the Congress of this program.

Military assistance.—In meeting the threats of Communist military aggression, the United States relies on two sources of strength, our own defense forces and the forces of more than 40 free-world nations, to many of whom we provide military assistance. Three of these, Korea, China, and Vietnam, are divided nations facing aggressive Communist-dominated forces across uneasy boundaries. Other recipients border on hostile Communist states, face potentially dangerous internal Communist movements, or are defenders of the great industrial communities of the free world.

Our primary concern is to insure the free world's ability to deter war and to retaliate against attack if deterrence fails. This we do through our own military capability and by providing intermediate and short-range missiles and other weapons to a number of our allies.

But the free world also faces the Communist threat of local aggression and military subversion. This danger is best met by conventional forces of the threatened countries. If necessary, the United States and other free-world nations would send reinforcements under the terms of regional pacts and bilateral agreements. Our allies, through their own efforts, are covering the bulk of the costs of operating and maintaining their forces. The United States supplies the critical military equip-

MUTUAL SECURITY PROGRAM

[Fiscal years. In millions]

Function and program	Budget expenditures			Recommended new obligational authority for 1960
	1958 actual	1959 estimate	1960 estimate	
Major national security: Military assistance	\$2,187	\$2,312	\$1,850	\$1,600
International affairs and finance:				
Development Loan Fund	2	125	200	700
Defense support	874	815	780	835
Technical cooperation	140	159	170	211
Contingencies and other assistance	408	470	498	584
Subtotal	1,424	1,569	1,648	2,330
Total, mutual security	3,611	3,881	3,498	3,930

¹ Compares with new obligational authority of \$2,764 million enacted for 1958 and \$3,516 million (including \$225 million of anticipated supplemental appropriations for the Development Loan Fund) estimated for 1959.

shares in worldwide efforts to meet the Communist threat and to help improve the standard of living of people in less developed nations. For the fiscal year 1960, I am recommending new obligational authority of \$3,930 million for the mutual security program. Expenditures are estimated to be \$3,498 million, which is \$383 million less than in fiscal 1959.

The military assistance portion of the mutual security program, which is primarily related to our military defense effort, is discussed in this

ment that our partners cannot supply themselves and assists in the training of their officers and men.

The estimate of new obligational authority for military assistance in the fiscal year 1960 is \$1,600 million. Expenditures in 1960, which will be made primarily from obligational authority enacted in previous years, are estimated to be \$1,850 million, a reduction of \$462 million from the amount estimated for 1959.

Nonmilitary defense.—Closely allied to our military preparedness are the nonmilitary civil defense and mobilization programs. These were reorganized last year under a new Office of Civil and Defense Mobilization, for which increased appropriations are recommended for 1960. These programs are discussed with other programs concerned with industry and community facilities in the Commerce and Housing section of this message, under which these expenditures are classified.

International Affairs and Finance

The United States is directing its diplomacy and devoting a substantial share of its economic resources to maintaining world peace and the security of free nations. In a world which still contains much want and suffering, it is a goal of our foreign policy to promote the economic stability and growth of less developed countries. This is as vital to us as it is to the countries concerned in the present world situation.

Although military danger persists, a strengthened free-world defense system enables less developed countries to concentrate much of their effort on needed economic progress. Increased international trade, private investment, public programs of lending, and technical assistance are essential to these efforts.

Expenditures for international affairs and finance are estimated to be \$2.1 billion in the fiscal year 1960. This amount is \$1.6 billion less than the expenditure estimate for 1959, mainly because of an additional and nonrecurring subscription of \$1,375 million to the International Monetary Fund for which I am requesting authority for 1959.

Further expansion of trade was made possible when the Congress last year extended the reciprocal trade agreements legislation for 4 years. Under the authority of this act, we will seek additional agreements with friendly countries for mutually beneficial reductions of trade barriers.

The greater share of investment capital and technical ability in the United States and other highly developed countries is to be found in private hands. Less developed countries could benefit in greater measure from this large private res-

INTERNATIONAL AFFAIRS AND FINANCE

[Fiscal years. In millions]

Program or agency	Budget expenditures			Recommended new obligational authority for 1960
	1958 actual	1959 estimate	1960 estimate	
Economic and technical development:				
International Monetary Fund subscription (proposed legislation)		\$1,375		
Export-Import Bank	\$340	243	-\$6	
Mutual security, economic:				
Development Loan Fund:				
Present program	2	125	180	
Proposed legislation			20	\$700
Defense support:				
Present program	874	815	515	
Proposed legislation			265	835
Technical cooperation:				
Present program	140	159	85	
Proposed legislation			85	211
Contingencies and other assistance:				
Present program	408	470	272	
Proposed legislation			226	584
Other (primarily Department of Agriculture emergency famine relief abroad):				
	146	135	126	115
Conduct of foreign affairs:				
Department of State	175	242	212	204
Other	2	4	4	2
Foreign information and exchange activities:				
United States Information Agency	109	107	114	127
Department of State, exchange of persons	24	25	24	24
President's special international program	16	9	7	7
Total	2,234	3,708	2,129 ¹	2,809

¹ Compares with new obligational authority of \$3,983 million enacted for 1958 and \$7,070 million (including \$4,945 million of anticipated supplemental authorizations) estimated for 1959. The 1959 supplements include proposed additional U.S. subscriptions to the International Bank for Reconstruction and Development of \$3,175 million and to the International Monetary Fund of \$1,375 million.

ervoir by making investment more attractive to firms from other countries. The United States on its part invites negotiation of tax treaties designed to encourage its citizens to invest abroad.

I will request legislation to expand the mutual security investment guarantee program, which offers guarantees to American private investors against losses on foreign investment that are caused by inconvertibility of currencies, expropriation, or war. The Export-Import Bank is actively seeking more private participation in its loans and is selling part of its portfolio to private investors, with the expectation of financing all of its operations in fiscal 1960 from receipts. The United States subscription to the capital of the International Bank for Reconstruction and Development helps that agency in channeling private capital into public loans to less developed countries.

In addition, studies are being conducted by the Department of State and the Business Advisory Council of the Department of Commerce on ways to increase the role of private investment, management, and technical training abroad.

International financial organizations.—To assist in economic development and in the sound expansion of trade, the United States participates with other countries in international financial organizations and also makes loans and grants directly to other nations. The multilateral and bilateral approaches complement each other and both are essential to the achievement of our objectives.

The International Bank for Reconstruction and Development extends loans for capital investment, and the International Monetary Fund promotes sound foreign exchange policies and encourages trade by assisting countries to overcome short-term foreign exchange problems. Both institutions have proved their worth as instruments of international financial cooperation. However, they cannot continue with the same effectiveness unless their present resources are supplemented. The executive directors of each institution have recommended an increase in member country subscriptions of 100 percent for the Bank and 50 percent for the Fund. I request that the Congress promptly approve the United States share of these recommended increases. Early approval will assure the other member countries that the increase in capitalization can be achieved quickly, and thus encourage prompt action by them.

For the additional United States quota in the International Monetary Fund, this budget includes \$1,375 million as supplemental new obligational authority and as estimated expenditures in 1959. Of this amount, \$344 million is to be paid

in gold and the balance of \$1,031 million is to be paid in the form of non-interest-bearing Treasury notes. The anticipated subscription to the International Bank of \$3,175 million in the fiscal year 1959 is included in the budget as new obligational authority but not as an expenditure because it will be in the nature of a guarantee fund. On the strength of guarantees from all its members, the Bank is able to sell its bonds to private investors.

We are now negotiating with our Latin American neighbors concerning the establishment of an inter-American development banking institution which would facilitate the flow of public and private capital to economic development projects in this hemisphere and would supplement existing lending arrangements. This negotiation may result in a later request for legislation permitting United States participation in such an institution.

The administration is also currently studying the feasibility of establishing an international development association which would be affiliated with the International Bank for Reconstruction and Development and would make loans repayable wholly or partially in the borrower's currency.

Development Loan Fund.—In 1957, the United States established the Development Loan Fund to provide capital on terms more favorable than are normally available from other sources, including repayment in foreign currencies. The Development Loan Fund finances both public and private projects that clearly contribute to the basic development of a country but do not qualify for private loans or for financing by the International Bank for Reconstruction and Development or the Export-Import Bank.

The Development Loan Fund is now making loans in substantial numbers, and will have an increasing impact in assisting less developed economies. The Fund will have committed virtually its entire capital by the end of this month. Because of the vital importance to our foreign economic objectives of continuing this type of lending, a supplemental appropriation for fiscal 1959 of \$225 million is recommended. This amount has already been authorized but not appropriated by the Congress. New obligational authority of \$700 million is requested for fiscal 1960.

Defense support.—Many of our allies among the less developed countries maintain large military forces required for the common defense de-

spite the added strain placed on their national economies by the continuing cost of these forces. To help prevent the living conditions and political stability of these countries from deteriorating because of the economic burden of their military forces, the United States provides economic aid through appropriations for defense support. This aid takes the form of food, textiles, and other consumer goods, machinery, and raw materials. For fiscal 1960, new obligational authority of \$835 million is requested for defense support.

Technical cooperation.—Through technical co-operation under the mutual security program the United States assists less developed countries to acquire technical, administrative, and managerial skills. This improvement of skills must go hand in hand with the financial and material resources made available for development. For 1960 an increase of approximately \$40 million in new obligational authority is requested. This will enable the United States to train more foreign technicians and provide more American experts and demonstrational equipment, with emphasis on expanding programs in Africa. The increase will also permit the United States to pay its share of the expected greater contributions by member nations to the new United Nations special fund for technical assistance projects.

Contingencies and other assistance.—The mutual security program for 1960 includes a request for \$200 million to be available for unforeseen contingencies and emergencies that may arise. In addition, appropriations will be requested for special assistance needed for the stability and progress of a number of countries not covered by other categories of aid and for such programs as our contributions to the worldwide malaria eradication program. Other special activities covered by the mutual security program are the United States contributions to the United Nations Children's Fund (UNICEF) and to refugee programs.

Legislation will be recommended to revise requirements on eligibility of countries for aid and thus provide the necessary additional flexibility to help nations that are resisting Soviet domination.

Conduct of foreign affairs.—The Department of State plans to open several new diplomatic and consular posts and to increase its staff dealing with problems of eastern Europe and international communism. Legislation will again be recommended to clarify the authority of the Secretary of State with regard to the issuance of passports. Legisla-

tion will also be recommended to reimburse Americans for certain property damage in Europe and the Far East during World War II for which compensation has not previously been authorized.

Foreign information and exchange activities.—The U.S. Information Agency will continue the major rebuilding of its radio facilities begun in fiscal 1959 to improve the reception overseas of the Voice of America. The cultural content of our information programs will be increased, more American books will be distributed abroad, and greater emphasis will be given to English-language teaching.

Conclusion

This budget charts the course our Government should take as we embark on the decade of the 1960's. Since the end of World War II, the pace of achievement and universal change has quickened with each successive year, sharpening the need for adjustments in the relations of peoples and nations to each other. In the decade facing us, the challenges to representative government will be no less than in the past; indeed, the tasks which are certain to be laid upon the executive, legislative, and judicial branches will require from each increasing vision, understanding, and wisdom.

This budget is designed to serve the needs of the Nation as a whole as effectively as possible. It rejects the philosophy that the national welfare is best served by satisfying every demand for Federal expenditures.

Our objective, as a free Nation, must be to prepare for the momentous decade ahead by entering the fiscal year 1960 with a world at peace, and with a strong and free economy as the prerequisite for healthy growth in the years to follow. This can be achieved through Government actions which help foster private economic recovery and development, and which restrain the forces that would drive prices higher, and thereby cheapen our money and erode our personal savings. The first step is to avoid a budget deficit by having the Government live within its means, especially during prosperous, peacetime periods.

The 1960 budget reflects our determination to do this.

DWIGHT D. EISENHOWER.

JANUARY 19, 1959.

A Review of U.S. Foreign Economic Policy

Statement by Under Secretary Dillon¹

In the letter which your distinguished chairman addressed to the President, he asked for a discussion of the state of our economic relations with the rest of the world and also suggested four specific topics for discussion.²

The Broad Range of Economic Foreign Policy

Since the economic matters directly involved in our international economic relations cover an immense range, I will limit what I have to say to the main objectives of our foreign economic policy, the major elements of the international environment in which it operates, and its more important instruments affecting the achievement of our national purposes.

The Main Objectives of Economic Foreign Policy

Secretary Dulles spoke to you last week³ of the basic purposes of our foreign policy: to build a stable world order, to seek general acceptance of the idea of the dignity and freedom of the individual, to encourage the rapid economic growth of free nations—to the end that independence shall become more secure and that cultural and spiritual development may flourish. Our foreign economic policies are, of course, intended to help achieve these goals.

They have two main objectives:

First, to strengthen the economy of our own country—the traditional purpose of foreign economic policy. We wish to assure the availability

¹ Made before the Senate Foreign Relations Committee on Jan. 21 (press release 48).

² For an exchange of letters between President Eisenhower and Senator Theodore Francis Green, see *Cong. Rec.* of Jan. 17, 1959, p. 731.

³ *BULLETIN* of Feb. 2, 1959, p. 151.

of needed foreign materials, to enlarge the market for our own products, and to make it easier for Americans to do business and visit abroad.

Our interdependence with our free-world neighbors is increasing as our economy expands. The successful achievement of this first objective of our foreign economic policy is imperative to our continued and growing prosperity.

The second main objective of our economic foreign policy is of more recent origin—to promote the economic strength and cohesion of the free world. We know, of course, that prosperity and rising living standards in other nations help to strengthen our own prosperity. I believe also that as a nation we are grateful for the freedoms and high standards of living we have achieved, hence that we feel a moral duty to help others in their own efforts to progress. In addition it is of the highest political importance that the people of the newly emerging countries succeed in their struggle to raise their standards of living while maintaining freedom and independence.

Despite the progress being made in many of the newly developing nations we are helping, it is sobering to reflect that many of them still can provide no more than the barest subsistence for their people.

The Communist Economic Offensive

As we work toward these objectives we must take account of the Sino-Soviet economic offensive. I would like now to describe briefly the progress of this offensive during 1958.

Soviet Credits During 1958

Sino-Soviet bloc credits and grants to underdeveloped free-world countries during the last year totaled about \$1 billion—a dramatic acceler-

ation of the tempo of the drive. The total of bloc assistance since 1954 (excluding "postponed" credits to Yugoslavia) now amounts to about \$2.4 billion. Economic credits and grants are in excess of \$1.6 billion, while military aid is about \$800 million. Of this total 25 percent have already been fulfilled by deliveries.

The principal recipients of bloc aid have been the United Arab Republic (Egypt and Syria), Indonesia, India, Yugoslavia, and Afghanistan, each of which has received credits of over \$150 million. These countries account for 82 percent of the total bloc credits extended, with the remainder going to 12 other countries.

Among the more significant bloc credits extended during 1958 were the Soviet \$100-million credit to the U.A.R. for construction of the first stage of the Aswan Dam and a \$100-million Soviet credit to Argentina for the purchase of petroleum equipment.

Commitments by the Soviet Union, which are now \$1.6 billion, account for three-quarters of the economic and 45 percent of the military assistance which has been extended by the Communist bloc. Satellite credits, extended mainly by Czechoslovakia and Poland, total \$650 million. Communist China has provided \$120 million, about half in grant form. All of the Chinese Communist assistance has been economic.

These totals fall far short of United States aid on a worldwide basis. But Soviet aid is not directed at helping a wide range of nations. It is directed at penetrating a carefully selected few. If bloc and United States aid in Soviet target areas are compared, the scope of the Sino-Soviet effort is more apparent. In 16 strategically located countries the bloc has in the last 3½ years committed \$1.6 billion in economic assistance compared to \$3.3 billion provided by the United States.

Bloc Trade During 1958

During the past year the number of bloc trade and payments agreements with underdeveloped countries increased from 145 with 28 countries at the end of 1957 to 173 with 31 countries at the end of 1958. Both Soviet and satellite trade negotiating delegations were very active throughout the year and were extremely quick to exploit new opportunities as soon as they appeared. An

East German trade delegation visited Guinea within a few weeks after it had declared its independence from France. Soviet and satellite commercial negotiations with Iraq have been so rapid that at the end of 1958 trade agreements were either concluded or almost concluded between Iraq and the U.S.S.R., East Germany, Czechoslovakia, Poland, Hungary, Rumania, and Communist China.

Bloc trade with the less developed countries during 1957 was \$1.7 billion, more than double the value of such trade in 1954. Data for the first half of 1958 indicate a continuation of this upward trend, although at a slower rate—due in part to the drop in world prices of basic raw materials.

1958 has also shown four other new elements in the bloc trade offensive:

1. The use of trade as a political weapon against the independence of Finland. By arbitrarily refusing to renew contracts for imports from Finland vital for Finland's economy, the Soviet Union brought about the fall of a Finnish cabinet it found objectionable. In the same way the Soviet Union tried to discipline Yugoslavia by "postponing" \$300 million of bloc credits and delaying deliveries of essential commodities such as coal.

2. A series of activities which caused serious disruption of the economies of other nations. These included sales of tin and aluminum by the Soviet Union and the large-scale dumping of textiles by Communist China in Southeast Asian markets.

3. A declaration by the Soviet representative at the Afro-Asian Conference in Cairo in December that the U.S.S.R. would sell agricultural and industrial products for local currencies.

4. Stepped-up talk about huge increases in trade with the industrialized countries—particularly Khrushchev's proposal to the United States. We would, of course, be glad to see an increase of peaceful trade with the Soviet Union, as President Eisenhower said in his letter to Mr. Khrushchev of July 14, 1958.⁴

I repeated this to Mr. Mikoyan⁵ when I saw him on Monday, and I suggested to him some of the things the Soviet might do to promote increased trade. I was disappointed to find that

⁴ For text, see *ibid.*, Aug. 4, 1958, p. 200.

⁵ Anastas Mikoyan, Soviet First Deputy Premier, was in the United States on an unofficial visit Jan. 4-20.

he evinced not the slightest interest in any increase in trade except on his own terms, which would require both the repeal of the congressional prohibitions on most-favored-nation treatment for the Soviet Union and on the importation of Russian furs and the grant of large-scale, long-term credits to cover Soviet purchases.

We must also realize that the purpose of the Soviets is to procure the advanced types of critical and industrial equipment they need to hasten their industrial development. The Soviet exports offered in exchange for these imports are primarily industrial raw materials and fuels which will compete with our regular sources of such commodities, many of them in less developed nations with which we already have established patterns of trade.

Bloc Technical Assistance

Bloc technical assistance to less developed countries also showed a sharp increase in 1958. During the last 6 months there were some 4,000 technicians from the Soviet bloc working for 1 month or more in 17 underdeveloped countries of the free world. About 2,800 of these were in the economic field and 1,200 in the military. The 2,800 economic technicians represented an increase of 1,200 in the past year and compares with a total of 4,600 United States technicians in the same general area—Asia and Africa. Nearly 85 percent of the Soviet bloc technicians were concentrated in five countries: Egypt, Syria, Afghanistan, India, and Indonesia.

One significant factor has emerged clearly: the ability of the bloc to provide on short notice substantial numbers of engineers and other aid personnel. This has impressed foreign governments and officials. The Soviets have been aided in obtaining technicians by one great advantage which we do not have: the ability to order technicians to service in distant areas at a moment's notice.

The best information available is that bloc technicians are generally well qualified in the fields of their specialties, that they are respected by their counterparts in the areas in which they serve, and that they conduct themselves personally in a manner that has given rise to few complaints. At the same time we should realize that they are not superhuman. They do not in most cases speak the local languages, and they do not mix with the people.

The Tools of Economic Foreign Policy

To meet the Soviet challenge and to give reality to our own effort to help the people of the newly developing nations in their attempt to fight their way out of the bitter slavery of poverty, ignorance, and disease, we must marshal all the peaceful tools of trade and aid available to us. I should like to review briefly what these tools are and how we recommend they be strengthened in the coming year.

The basic instrument is, of course, trade. Last year the Executive recommended and the Congress approved a realistic, long-term extension of the Trade Agreements Act—a great stride toward keeping our own markets open to our free world friends and developing wider opportunities for our exports. We are also working with other countries to expand trade through the operation of the General Agreement on Tariffs and Trade (GATT) and to create and maintain a sound financial basis for trade through the International Monetary Fund (IMF).

The greatly enlarged volume of world trade and foreign exchange transactions since the IMF was established requires that its total resources be enlarged by increasing the quotas of member countries. The executive board of the fund has recommended that the increase should be 50 percent of present quotas—or \$1.375 billion for the United States. The gold portion of the United States increase would be \$343.75 million, and the remaining \$1,031.75 million would in effect be made available in non-interest-bearing demand notes which could be presented by the IMF to the Treasury as dollars are required.

Three new developments in the field of trade and finance have occurred in Europe this past year which are of great significance. One is the entry into force of the Treaty of Rome establishing a European Economic Community which promises to expand intra-European trade to the benefit of all. The second is the formation of EURATOM, a dramatic step in the European integration movement. The United States, with congressional approval, has already undertaken jointly with EURATOM a major program to construct six or seven power reactors in Europe. The third significant development is the move toward convertibility of currencies on the part of the United Kingdom, France, Germany, and other European countries which took place at the end of 1958.

This is a landmark in international financial policy which should have increasingly beneficial effects on world trade and investment.

A second major element in our economic foreign policy is the promotion of the economic development of the less developed areas. In furthering this objective we give primary emphasis to private investment and the means of encouraging its rapid expansion. Only with the help of private investment can we provide the magnitude of capital and skills needed for rapid development. Thus far, however, it has been very small in some important areas where it is most needed. To encourage investment the ICA has steadily expanded its investment guaranty program. We are also actively engaged in two studies to determine how private investment may be increased: one through the Business Advisory Committee of the Department of Commerce, the other pursuant to the direction of the Congress to study this question. The President has stated his intention of submitting legislation on this subject to the Congress.

We can hope that private investment will flow in the amounts needed. But meanwhile progress cannot be delayed. And private investment cannot under any circumstances be expected to provide capital for many basic facilities such as roads, harbors, and irrigation projects fundamental to the development of industrial activities which might be the subjects of private investment. Therefore we must proceed with public financing for development.

The basic international institution for this purpose is, of course, the International Bank for Reconstruction and Development, or World Bank. The bank has the special virtue that it draws on both public and private resources and from the entire free world. The effective work of the World Bank is outstripping its available capital. The executive board of the bank has therefore proposed that the present subscriptions should be increased by about 100 percent. The United States would add another \$3.175 billion to its existing guaranty of the bank's bonds. No cash outlay would be required except in the most unlikely event that the bank might need to call on its guaranty funds to protect its bondholders.

The United States Government is now considering the practicality of establishing a new affiliate of the World Bank, the proposed International Development Association. This association, if it receives broad international support, would pro-

vide a means whereby other countries as well as the United States could furnish capital for development to be repayable in local currencies. The IDA is now under active consideration by a number of governments.

The Export-Import Bank has made an outstanding contribution to the expansion of trade and to economic development. Its capital was increased by \$2 billion last year, and it can be expected to have an even more valuable effect in the future.

For many years our Latin American neighbors have urged the establishment of a special lending institution for this region. We have now agreed to join such a bank designed to support Latin American economic development, to serve as an instrument for genuinely inter-American economic cooperation, and to operate on principles which would inspire confidence in its soundness. This bank would primarily make loans repayable in the currencies lent (or so-called "hard" loans) but could also make loans repayable in the currency of the borrower (or so-called "soft" loans). The United States, under the leadership of the Treasury Department, is now actively engaged in negotiations with the other American Republics on the charter of the proposed inter-American development institution. The proposal submitted by the United States for discussion calls for a total capital of \$850 million, of which paid-in contributions would be \$250 million by the United States and \$300 million by the other members. These paid-in contributions would be made in installments. The remaining \$300 million, of which the United States would provide \$150 million and the Latin American countries \$150 million, would constitute guaranties to be used only if necessary to pay off any bonds which the bank might issue.

A most heartening development of the past year has been the increased effort on the part of our European allies, Canada, and Japan in the field of development financing. Germany has made substantial credits to India, Turkey, and Greece. The U.K. has made very large sums available to India and also has extended credit to Turkey. Italy is prepared to make credits in the Middle East, and Canada has increased her Colombo Plan grants by 50 percent. Japan has begun to play an important role in Asian development. These actions by our friends and allies are most welcome.

Our final tool in this area which gives us the

needed flexibility to handle difficult situations is, of course, the mutual security program. One of the most important elements of our mutual security effort is the Development Loan Fund, created in large measure as a result of the study made 2 years ago by this committee.

The DLF, for which the President originally asked, and this committee authorized, \$2 billion in capital over a 3-year period, has thus far received appropriations of \$700 million. It is now finishing its first year of actual operations. It has received about \$2.9 billion in requests from foreign nations for loan assistance. As of today it has committed for a variety of key projects in 31 countries all but \$48 million of its total resources. By the end of this month it will be effectively out of funds with a backlog of over \$1.7 billion of screened requests for loans on hand.

It is obvious that such a key institution of U.S. policy cannot be allowed to close its doors. The executive branch will therefore ask for a supplemental appropriation of \$225 million to carry it forward until the \$700 million of new capital requested for fiscal year 1960 becomes available. The total of these two requests will allow a future rate of lending no higher than that already attained in the first year.

The Agricultural Trade Development and Assistance Act, P.L. 480, also provides valuable help to less developed countries. Selling our surplus foods and fibers for the currencies of the buying country helps provide strength and encouragement to hungry, ill-clad people. Also, a large part of these local currencies is made available for loans to finance development projects in participating countries.

The Mutual Security Program and Our Own Economy

You have asked me to comment on the effect of the mutual security program on our own economy. I am glad to do so because there is much misunderstanding—though there should not be, because your own committee 2 years ago commissioned a most thorough study of this subject. We found the study which was made by the National Planning Association at that time to be so valuable that we arranged last spring to have it brought up to date.

Four facts emerge: Foremost is that, unless we are able to achieve the basic national security objectives which the mutual security program is de-

signed to help attain, it will be impossible to maintain our own economic health and military strength. Many of the nations we are assisting provide the imported commodities essential to our economy. Curtailment of access to them would lower our standard of living and make our defense burden far more costly.

Second, the contribution which the mutual security program makes to the economic health and development of the free world has a direct and important effect on our own prosperity and progress. Economic history plainly shows that the higher the stage of economic development of other free-world countries the greater the benefit to the United States economy as a whole. Thus, over the past 20 years, with the expansion of the free-world economy, United States exports have multiplied sevenfold from a prewar average of \$2.9 billion to \$20.6 billion in 1957. United States imports in the same period have increased fivefold from \$2.5 billion to \$12.9 billion. Vast potential markets lie in the newly developing areas. This enlarged trade will exceed many times the cost of our assistance to them now.

Third, aid expenditures have had a beneficial effect on United States production and employment. Under the mutual security program and predecessor programs through fiscal year 1958, \$26.5 billion or 76.3 percent of the total was spent directly in the United States. Another \$8.2 billion was spent for procurement in friendly countries which first helped their economies and then increased their imports from the United States. The National Planning Association study estimated that mutual security funds resulted in the employment in 1957 of 530,000 people in the United States on an average full-time basis, or 715,000 if P.L. 480 commodities are also considered.

Fourth, there is no doubt the United States economy can bear the cost of this program—quite aside from the fact that not to have it would be intolerably more costly to us. For example, the total mutual security appropriation for fiscal year 1959, amounting to \$3.3 billion, is only 0.75 percent of the estimated U.S. gross national product. Excluding the military assistance funds, mutual security funds for all economic purposes amount to about two-fifths of 1 percent of our gross national product, or less than we spend for jewelry or cosmetics.

Of course, this is but one of many yardsticks

against which to measure the ability of the United States to bear the cost of foreign aid. We have considered the program in the context of our domestic and foreign economic objectives and our domestic fiscal and economic situation. We are

convinced that the program we have outlined is sound and that it is essential for the continued progress of the free world and the United States.

These are the broad outlines of our economic relations with the rest of the world.

INTERNATIONAL ORGANIZATIONS AND CONFERENCES

United States Delegations to International Conferences

Baghdad Pact

The Department of State announced on January 14 (press release 32) that Deputy Under Secretary Loy W. Henderson will represent the United States at the sixth meeting of the Baghdad Pact Council, which is scheduled to convene at Karachi, Pakistan, on January 26, 1959.

While the United States is not a member of the pact, it has participated in various pact activities. Additionally, it will be recalled that the United States joined with the Governments of Turkey, Iran, Pakistan, and the United Kingdom in signing a declaration on July 28, 1958,¹ reaffirming its willingness, pursuant to existing congressional authorization, to cooperate with these states for their security and defense.

Ambassador Henderson has represented the United States at previous meetings of the Baghdad Pact as observer. He participated in this capacity in pact meetings at Tehran in 1956 and at Karachi in 1957. He has closely followed Baghdad Pact affairs and is personally acquainted with many of the leading personalities of the pact member nations.

The Department announced on January 19 (press release 41) the other members of the U.S. delegation.

The senior advisers to Ambassador Henderson will be John N. Irwin II, Assistant Secretary of Defense for International Security Affairs; Donald D. Kennedy, Deputy Assistant Secretary of State for Near Eastern and South Asian Affairs; James M. Langley, American Ambassador

to Pakistan; Gen. Lyman L. Lemnitzer, U.S. Army Vice Chief of Staff; and Fletcher Warren, American Ambassador to Turkey.

Named as advisers were Jules Bassin, First Secretary, American Embassy, Karachi; Rear Adm. Charles K. Bergin, Office of the Assistant Secretary of Defense for International Security Affairs; Maj. Gen. Douglas W. Johnson, Joint Chiefs of Staff; James S. Killen, Director, U.S. Operations Mission, Pakistan; L. Wade Lathram, Director, Office of Near Eastern and South Asian Regional Affairs, Department of State; Herbert J. Liebesny, Division of Research and Analysis for Near Eastern and South Asian Affairs, Department of State; W. Mallory-Browne, Political Counselor, American Embassy, Karachi; Clifford Manshardt, Public Affairs Officer, American Embassy, Karachi; Joseph M. Roland, First Secretary, American Embassy, Ankara; Christopher Van Hollen, Second Secretary, American Embassy, Karachi; and Fraser Wilkins, Minister-Counselor, American Embassy, Tehran.

On the same date (press release 42) the Department also announced the members of the U.S. delegation to the Economic Committee of the Baghdad Pact. They will be Donald D. Kennedy, Deputy Assistant Secretary of State for Near Eastern and South Asian Affairs, *chairman*; John Ferris, Office of the Regional Director for the Near East and South Asia, International Co-operation Administration; Frances D. Hyland, Second Secretary, American Embassy, Karachi; Berger A. Indseth, U.S. Operations Mission, Turkey; James S. Killen, Director, U.S. Operations Mission, Pakistan; G. E. Robert Meyer, Economic Development Division, Department of State; Thomas C. M. Robinson and Henry Spielman, Office of South Asian Affairs, Department of State.

¹ For text, see BULLETIN of Aug. 18, 1958, p. 272.

World Forestry Congress To Discuss Land-Use Pressures

The Department of Agriculture and the Department of State announced on January 24 (press release 55 dated January 22) that the chief topic of discussion at the Fifth World Forestry Congress will be how to manage the earth's forest resources so that they will be better utilized in a world becoming more crowded with people.

The Organizing Committee¹ of the Congress, in session at the State Department January 12 and 13, made plans to set up programs and accommodations for foresters and related scientists who will be invited to the Congress from about 80 nations. They will assemble at the University of Washington at Seattle, Wash., August 29-September 10, 1960.

"This is the first international forestry conference ever held in the Western Hemisphere," Richard E. McArdle, chief of the U.S. Forest Service and chairman of the Organizing Committee, pointed out. "It is a scientific, nonpolitical conference at which participants will exchange useful technical information on a wide variety of topics."

Pressed by the need for more careful coordination in the use of timber, water, forage, recreation, wildlife, and related resources, foresters are finding new opportunities to make each forest area yield the combination of uses best suited to the needs of the people. Securing better coordination in the uses of forest land is a worldwide problem. Many Asian and European countries have faced this problem and have made progress toward a solution, oftentimes in ways different from the American approach. Others are facing the problem now. This Congress offers an opportunity for an exchange of ideas between nations on multiple-use management.

The last World Forestry Congress was held at Dehra Dun, India, in 1954. The present organizing committee is programming a session to review and bring up to date the status of world forestry. Numerous other forestry subjects will be discussed by the world experts, including the practice of forestry on arid and semiarid lands.

The more than 1,200 foreign and domestic participants expected to attend will include foresters, land managers, wildlife technicians, and others interested in forestry. Invitations will be issued by

¹ For an announcement of the members of the Organizing Committee, see BULLETIN of Jan. 12, 1959, p. 67.

the State Department to governments in the United Nations family. This includes some 74 countries who are members of the Food and Agriculture Organization.

Of particular interest to foreign visitors will be the *en route* tours to be planned for them. Delegates to the Congress will have several regional tours to select from, each designed to give a cross section of forestry activities in a particular section of the United States. A series of shorter local forestry tours near Seattle is planned as part of the Congress.

On the Organizing Committee and attending its first meeting were top-level American representatives from industries, universities, associations, public agencies, and agricultural and labor organizations. They have named the following working committees and chairmen: Executive, V. L. Harper, Forest Service; Program, Hardy L. Shirley, State University of New York; Finance, Corydon Wagner, St. Paul and Tacoma Lumber Co.; Tours, Henry Clepper, Society of American Foresters; Machinery and Equipment Exhibits, E. P. Stamm, Crown Zellerbach Corp.; Educational Exhibits, Henry Schmitz, University of Washington; Information and Publicity, Clint Davis, Forest Service; Local Arrangements, Gordon Marckworth, University of Washington.

Information about the Congress may be obtained from I. T. Haig, Executive Secretary, Fifth World Forestry Congress, Department of State, Washington 25, D.C.

TREATY INFORMATION

Extension to British Territories of Income-Tax Convention

Press release 60 dated January 23

According to information contained in a note of January 19, 1959, from the British Embassy at Washington to the Department of State, the British territories named in column I of the table below have taken the last of the measures necessary to give full force and effect to the extension of the income-tax convention of April 16, 1945,

as modified, between the United States and the United Kingdom.¹ The respective dates in 1958 on which the territories took those measures are indicated in column II of the table. Accordingly, the extension is effective (1) in the United States, with respect to United States tax, on and after January 1, 1959, and (2) in each of the territories with respect to tax for the year of assessment beginning on the date in 1959 indicated in column III of the table, and for subsequent years of assessment.

<i>Column I</i>	<i>Column II</i>	<i>Column III</i>
Aden	December 29	April 1
Antigua	December 23	January 1
Barbados	December 24	January 1
British Honduras	December 31	January 1
Dominica	December 22	January 1
Falkland Islands	December 29	January 1
Gambia	December 31	January 1
Grenada	December 27	January 1
Jamaica	December 22	January 1
St. Christopher, Nevis, and Anguilla	December 24	January 1
St. Lucia	December 27	January 1
Seychelles	December 29	January 1
Sierra Leone	December 17	April 1
Trinidad and Tobago	December 31	January 1
Virgin Islands	December 30	January 1

On August 19, 1957, the British Government gave notification to the United States Government of a desire that the application of the 1945 convention for the avoidance of double taxation and the prevention of fiscal evasion with respect to taxes on income, as modified by supplementary protocols of June 6, 1946, May 25, 1954, and August 19, 1957, be extended to specified British overseas territories.² That notification was given in accordance with article XXII of the 1945 convention, as modified. On July 9, 1958, the United States Senate approved the proposed extension. On December 3, 1958, the United States Government, in accordance with the procedure prescribed in article XXII, notified the British Government of United States acceptance of the British notification.

The British notification and the United States acceptance constitute in effect an agreement between the United States and the United Kingdom for extending the application of the convention, as modified, to the specified British territories, subject to the modifications and with effect from the dates specified in the British notification. The extension becomes operative between the United

¹ Treaties and Other International Acts Series 1548, 3165, and 4124.

² BULLETIN of Oct. 14, 1957, p. 623.

States and each of those territories, on the dates prescribed, when the particular territory completes such legislative or other internal measures as are necessary to give effect to the extension in such territory. According to the information received from the British Embassy, the territories named above completed the necessary measures on the respective dates indicated in column II.³

Current Actions

BILATERAL

Spain

Agricultural commodities agreement under title I of the Agricultural Trade Development and Assistance Act of 1954, as amended (68 Stat. 455; 7 U.S.C. 1701-1709). Signed at Madrid January 13, 1959. Entered into force January 18, 1959.

United Kingdom

Agreement relating to the extension to certain British territories of the income tax convention of April 16, 1945, as modified (TIAS 1546, 3165, and 4124). Effectuated by exchange of notes at Washington August 19, 1957, and December 3, 1958. Entered into force December 3, 1958. TIAS 4141.

Notification by United Kingdom of completion, on or before December 31, 1958, of measures necessary to give effect to agreement in: Aden; Antigua; Barbados; British Honduras; Dominica; Falkland Islands; Gambia; Grenada; Jamaica; St. Christopher, Nevis, and Anguilla; St. Lucia; Seychelles; Sierra Leone; Trinidad and Tobago, and Virgin Islands.

PUBLICATIONS

Seventh Colombo Plan Report Released

Press release 39 dated January 16

The Department of State announced on January 18 the release of the Seventh Annual Report of the Consultative Committee on Cooperative Economic Development in South and Southeast Asia (the Colombo Plan).¹

¹ For an announcement of the extension of the 1945 convention, as modified, to the Federation of Rhodesia and Nyasaland, see *ibid.*, Jan. 19, 1959, p. 110.

¹ *The Colombo Plan for Cooperative Economic Development in South and Southeast Asia—Seventh Annual Report of the Consultative Committee*, Department of State publication 6737, for sale by the Superintendent of Documents, U.S. Government Printing Office, Washington 25, D.C.; price 75 cents.

The report, a review of the 1957-58 economic development progress and problems in the area, finds that significant progress continues to be made in the economic development of the Colombo Plan area. It points out that the rate of progress was somewhat less than in previous years, due to adverse weather, lower food production, inflationary pressures, and heavier imports coupled with a decline of export earnings. However, these setbacks are not likely to reverse the forward movement of economic development. Progress has continued to be substantial in the vital sectors of industrial capacity and improvement of basic facilities including roads, irrigation, and land reclamation.

The report refers to the importance of foreign private investment, especially in the initial stages of development, and notes that there is a growing appreciation of the role of private foreign capital in both the capital-importing and the capital-exporting countries of the area.

By far the greater part of the resources devoted to economic development in South and Southeast Asia came from the countries of the area themselves, the report notes. These resources from within have been supplemented by economic aid from outside. The United States has provided economic and technical assistance to the countries of the area totaling almost \$4 billion since the inception of the Colombo Plan in 1950. This assistance has been arranged on a bilateral basis between the United States and the individual countries concerned.

The report was prepared by representatives of the 18 member governments at the 10th meeting of the Consultative Committee. The United States served as host to the meeting, which was held at Seattle, Wash., from October 20 through November 13, 1958. President Eisenhower welcomed the Committee at the opening of its ministerial session, of which Secretary Dulles was chairman.²

The United States, which has been a member of the Consultative Committee since 1951, participated in the preparation of this report. Other

*For remarks by President Eisenhower and Secretary Dulles, a statement by Under Secretary Dillon, the text of the final communique, and an extract from the annual report, see BULLETIN of Dec. 1, 1958, p. 853.

member governments are: Australia, Burma, Cambodia, Canada, Ceylon, India, Indonesia, Japan, Laos, Malaya, Nepal, New Zealand, Pakistan, the Philippines, Thailand, the United Kingdom (together with North Borneo, Sarawak, and Singapore), and Viet-Nam.

The Committee's next meeting will be in Indonesia in 1959.

Correction

BULLETIN of January 26, 1959, p. 131, footnote 1: The date should read Jan. 19, 1959, rather than 1958.

Check List of Department of State Press Releases: January 19-25

Press releases may be obtained from the News Division, Department of State, Washington 25, D.C. Releases issued prior to January 19 which appear in this issue of the BULLETIN are Nos. 32 of January 14 and 38 and 39 of January 16.

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*40	1/19	Educational exchange (Cambodia).
41	1/19	Delegation to Baghdad Pact Ministerial Council (rewrite).
42	1/19	Delegation to Baghdad Pact Economic Committee (rewrite).
*43	1/20	Frondizi itinerary.
*44	1/20	Byroade nomination (biographic details).
*45	1/20	Mills nomination (biographic details).
*46	1/20	Trimble nomination (biographic details).
47	1/20	Dulles: message to Mikoyan.
48	1/21	Dillon: Foreign Relations Committee.
*49	1/21	Bonsal nomination (biographic details).
50	1/21	U.S. denies supplying arms to Batista regime.
*51	1/21	Henderson: departure statement.
*52	1/21	Educational exchange (Chile).
*53	1/21	Grant of grain to Jordan.
*54	1/21	Educational exchange (Peru).
55	1/22	World Forestry Congress (rewrite).
*56	1/22	Dillon: Joint Committee on Atomic Energy.
57	1/22	DLF loan to Republic of China.
*58	1/22	Frondizi itinerary.
59	1/23	Murphy: World Affairs Council.
60	1/23	Extension of tax convention with U.K.
*61	1/23	Educational exchange (Turkey).
*62	1/24	Murphy: Economic Club of Detroit.
63	1/24	Nuclear weapons testing.

*Not printed.

†Held for a later issue of the BULLETIN.

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The Soviet Note on Berlin: An Analysis

On November 27, 1958, the Government of the Union of Soviet Socialist Republics handed the United States Ambassador in Moscow a communication relating to Berlin.

Similar notes were given by the Soviet Government to the Ambassadors of France, the United Kingdom, and the Federal Republic of Germany.

In essence the Soviet notes demanded that the United States, the United Kingdom, and France abandon West Berlin.

Declaring the communication to be an attempt to rewrite history "by omission and by distortion," the Department of State has issued this analysis of the Soviet note, calling attention to the more important Soviet omissions and correcting the more obvious distortions. The analysis is a factual account of developments prior to, during, and after World War II which led to the present status of Berlin.

An appendix contains the official statements of the United States on the Berlin question, including the legal status of the city, plus other official statements of the Western powers and of NATO on the Berlin question.

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